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No. _____

In The

Supreme Court of the United States

BADEN SPORTS, INC.,

Petitioner,

v.

MOLTEN USA, INC., and
KABUSHIKI KAISHA MOLTEN
(doing business as MOLTEN CORPORATION),

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Does *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), establish an "authorship" limitation on false advertising claims brought under Section 43(a)(1)(B) of the Lanham Act?

CORPORATE DISCLOSURE STATEMENT

Baden has no parent company, nor is there any publicly traded company holding 10 percent or more of its stock. *See* Rule 29.6.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner, Baden Sports, Inc. ("Baden"), respectfully prays that a writ of certiorari issue to review that portion of the decision of the United States Court of Appeals for the Federal Circuit which dismissed with prejudice Baden's claim for damages for false advertising, brought under Section 43(a)(1)(B) of the Lanham Act.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at 556 F.3d 1300 (Fed. Cir. 2009), and is reproduced at pages 1 through 20 of the Petition Appendix ("App.").[1] The decision of the District Court granting in part and denying in part Baden's motion for summary judgment and denying Baden's request for injunctive relief (unreported, July 16, 2007) is reproduced at App. pages 21 through 49. The decision of the District Court granting in part and denying in part the motion of Respondents, Molten USA, Inc., and Kabushiki Kaisha Molten (collectively "Molten") for summary judgment on Baden's Lanham Act claims (unreported, July 16, 2007) is reproduced at App. pages 50 through 69. The decision of the District

[1] Certain documents from the trial record are reproduced separately in a Supplemental Appendix, and will be cited to as "Supp. App.".

Court denying Molten's motion to dismiss Baden's false advertising claim, after a trial by jury and a verdict in favor of Baden, is reported at 541 F.Supp.2d 1151 (W.D. Wash. 2008), and reproduced at App. pages 70 through 102.

JURISDICTION

This Court has jurisdiction over this case pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 43(a)(1) of the Lanham Act states:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

STATEMENT OF THE CASE

This case involves false advertising in violation of Subsection B of Section 43(a)(1) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). This Court held in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003) ("*Dastar*"), that claims concerning false representations as to "authorship" cannot be brought under the "origin" of "goods" language of Subsection A of the Lanham Act. But this Court left open the question as to whether false advertising about the "authorship" of the design of a good could be bought under the "nature, characteristics, [or] qualities" language of Subsection B.

A jury found that Respondents Molten USA, Inc., and Kabushiki Kaisha Molten (collectively "Molten") engaged in false advertising by representing Molten's (so-called) "dual cushion" basketball as a Molten innovation. The jury found that Baden had originated

the design, and that Molten's claim that its basketball was "new" and "unique" were intentionally false and materially misleading. The jury awarded Baden $8,000,000 in damages due to the loss of goodwill caused by Molten's false advertising. The jury separately awarded Baden $38,000 in damages caused by Molten's sales in the United States of basketballs that the District Court found infringed on Baden's patent rights. The District Court denied Molten's motion for judgment as a matter of law on Baden's false advertising claim.

The Federal Circuit reversed. The Federal Circuit did not hold that the jury's finding of false advertising was unsupported by substantial evidence. The Federal Circuit instead held that, under this Court's decision in *Dastar*, a false representation about the design of a good may not give rise to a cause of action for false advertising if that representation concerns the "authorship" of that design. The court held that Baden's claim concerned "authorship" because the factual gravamen of Baden's claim was that it, and not Molten, had developed the "dual cushion" basketball. The court then extended this Court's *Dastar* limitation on "origin of goods" claims, brought under Subsection A of Section 43(a)(1), to any claim concerning the "authorship" of the design of a good, whether brought under Subsection A *or* Subsection B, and on that basis granted Molten judgment as a matter of law on Baden's claim.

I. Molten Falsely Represented its "Dual Cushion" Basketball Design as a Molten "Innovation".

Baden contended that Molten violated the Lanham Act's prohibition against false advertising by representing its (so-called) "dual cushion" basketball as a Molten innovation, when in fact it was not. *See* Jury Instruction No. 15, App. 104. In support of this contention, Baden introduced testimony and documentary evidence to establish the following facts:

Baden designs, manufactures and sells inflatable sports balls, including basketballs. In the 1990's Baden developed a new design for basketballs, which it dubbed "cushion control technology" (or "CCT"). RT 173-76.[2] As described more fully in Baden's patent for this design issued by the U.S. Patent Office in 1997, standard basketball design employs an outer surface of eight panels, with exposed raised seams between panels. *See* "Background Information," Patent No. 5,636,835, June 10, 1997 ("'835 patent") (copy included in Trial Ex. 1), Supp. App. 2. Baden's new basketball continued to use the standard exterior design, but modified the interior by introducing a sponge rubber layer that bonded directly to the inner surface of the exterior panels. *See* "Summary of the Invention," '835 patent (copy included in Trial Ex. 1),

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[2] The trial took place over several days. The court reporter numbered the pages of the Reporter's Transcript sequentially 1 through 1136 without restarting the numbering for each day of trial proceedings.

Supp. App. 2. A basketball built in accordance with this new design would have a number of advantages: (1) softer feel, producing improvement in grip and handling characteristics; (2) truer bounce, because of reduced inflation pressure making it easier to maintain the ball's spherical shape; and (3) better wear, because the sponge layer absorbs impact and thereby improves the durability of the skin panels. *See id.*

Baden's CCT design was a great success,[3] and established Baden as an innovator in the field of

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[3] Baden's new basketball was endorsed by some of the country's leading coaches. Bobby Knight, whose teams at Indiana University had won three NCAA championships, stated Baden's new ball "w[e]ars better than any ball that I have ever used" and that his players "really like the way [the] . . . new ball handles." Letter from Knight to Michael Schindler, CEO of Baden, July 17, 2006 (copy included in Trial Ex. 1), Supp. App 4. Pat Summitt, head coach of the University of Tennessee "Lady Vols" (the winningest coach in NCAA basketball history, men or women), stated that, after using the new Baden ball during the 1995-1996 season, "it was clear to us that a major advancement had taken place in the basketball world":

> There's no question in our minds that the great feel and the "softness" of the whole ball, including the seams, not only improves shooting and ball-handling, but also the trueness in the bounce of the basketball itself. Comparing the new ball to all the other balls we use during the course of the season and the "old" Baden balls, it would not surprise me if every coach and player in the country who learned about this new ball would choose it for all their games. Keep up the great work!

Letter from Pat Summitt, July 18, 1996 (copy included in Trial Ex. 1), Supp. App. 3.

sports balls. Sports ball consumers value innovation, and their purchases are heavily influenced by whether they see a manufacturer as an innovator. RT 233 (for consumers of sporting equipment "it's all about the latest technology [and] . . . what allows them to play at a higher level, the performance of the ball, what allows them to play at their highest potential"). Building up a reputation as an innovator can create goodwill that in turn sustains sales of the manufacturer's line of goods; for Baden, the goodwill created by its reputation as an innovator in the field of basketball design soon redounded to the benefit of its entire product line. RT 163 ("we developed a reputation throughout the industry of being . . . on the cutting edge"), 177 (basketballs employing the CCT design became Baden's "brand" and "the flagship of the company" and "the launching pad to an entire line" of game balls).

Molten also designs, manufactures and sells sports balls. In the early 2000s, Molten hired Interbrand, an international consulting firm that specializes in product branding, to help Molten improve its brand. RT 339. Interbrand advised Molten that it needed to offer something of "unique value" to sports ball consumers, so they would choose Molten's brand and buy Molten's products. RT 354. Interbrand identified "innovation" as the most important value that Molten needed to associate with its brand. RT 356.

Molten launched an international advertising and promotional campaign to persuade sports ball consumers that Molten was an innovator. The campaign

centered on Molten's so-called "dual cushion" basketball, which Molten's ads and other promotional efforts used to persuade sports ball consumers that Molten was an innovator.

Molten's efforts are exemplified by a two page feature that appeared in the November 2004 issue of "Assist Magazine," a publication of "FIBA," the international basketball association.[4] (A copy of the article was put into evidence as Trial Exhibit 3, and is included in the Supplemental Appendix at pages 5-6.) Leading off with the title claim, "The Innovation in Basketball," Molten USA's CEO Kiyosaki Nishihara asserted that Molten's "dual cushion" basketball "is a revolution in design today that will set the standard tomorrow":

> Technology *that only Molten can create* helps players attain new levels of performance. . . . Molten's technology pushes gripping, rebounding and other ball control possibilities to the limits. . . . Th[e] dual-cushion gives the ball a soft feel while maintaining the rebound speed of previous balls. It also improves durability.

Trial Ex. 3 at 1, Supp. App. 5-6 (emphasis added). Molten followed up "The Innovation in Basketball" with numerous ads and other promotionals, reinforcing the claim that Molten's "dual cushion" basketball

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[4] "FIBA" is the acronym for the organization's French name, the "Federation Internationale de Basketball."

was "innovative," "new," "unique," and would "set . . . the standard for the future of basketball." *See* Trial Exs. 17, 18, 23 & 33 (reproducing various Molten ads and promotional materials).

Just how much Molten valued this effort to brand itself the "innovator" in basketball technology is shown by the change in Molten's sponsor relationship with FIBA. FIBA's Secretary General had personally endorsed Molten's claims about its "dual cushion" basketballs, noting that Molten had been providing official game balls for FIBA sponsored events (including the Olympic Games' basketball competitions) since 1981. *See* Trial Ex. 3 at 2, Supp. App. 6 ("congratulat[ing]" Molten on its "stunning new concept in basketball design"). Molten now agreed to increase the sponsorship fee it paid FIBA, from $3,500,000 over four years (2003-2006) to $18,000,000 over ten years (2007-2016) – effectively a doubling of the annual fee paid, from $875,000 per year to $1,800,000 per year. *Compare* Trial Ex. 26 (Section 7.1 of 2003-2006 agreement, listing payment schedule) *with* Trial Ex. 27 (Exhibit 2 of 2007-2016 agreement, listing payment schedule).

In exchange for this increased fee, Molten secured the right to have its "dual cushion" basketballs prominently featured as the game ball at the 2004 and 2008 Olympics, as well as other FIBA competitions. As Richard Yalch, Professor of Marketing at the University of Washington School of Business and Baden's marketing expert, explained at trial, this

exposure allowed Molten to exploit the "pyramid of influence" of the sporting goods market:

> [W]hat you want to do is get the expert players, the serious players to adopt your brand, and then it kind of just diffuses down through the system. . . . [I]f a basketball is associated with a star basketball player or a star team or a well-recognized sporting event, then that will be a way for people to decide that it is a good basketball, [with] good technical qualities.

RT 338 & 354; *see also* Trial Exs. 50 & 60 (reproducing images of LeBron James and other basketball stars using Molten "dual cushion" basketballs during international competitions).

In fact, Molten's "dual cushion" basketball design was neither "new" nor "unique." Molten's "dual cushion" design was a mere duplicate of Baden's CCT design, and Molten's claim to be an "innovator" in the field of sports ball design therefore was false and materially misleading.

II. Proceedings Before the District Court and the Federal Circuit Court of Appeals.

Baden discovered that Molten was selling its "dual cushion" basketballs in the United States, and claiming that its "dual cushion" basketball was a Molten innovation. Baden sued Molten for patent infringement and false advertising. Venue was laid in the Western District of Washington, where Baden is

headquartered. Before trial, the District Court ruled that Molten's "dual cushion" basketballs infringed on Baden's patent, and that Baden could pursue a claim for false advertising based on the allegation that Molten had falsely represented its dual cushion basketballs as a Molten innovation. *See* Order Granting In Part and Denying in Part Baden's Motion for Summary Judgment, App. 42 (granting Baden partial summary judgment on its infringement claim); Order Granting in Part and Denying in Part Molten's Motion for Summary Judgment re: Lanham Act Claims, App. 62-63 (ruling *Dastar* "does not bar a false advertising claim based on Molten's advertising that its product or technology is innovative").

At trial, in addition to evidence supporting the facts previously described, Baden introduced evidence to show that Molten's misrepresentation had damaged Baden by costing it goodwill, and that the discounted value of Molten's increased payments to FIBA was a fair measure of that damage. Molten could not offer a plausible explanation for how it presumed to claim to be an "innovator" based on the design of its "dual cushion" basketball, when Baden's CCT basketballs had been on the market for nearly a decade before Molten began promoting its "dual cushion" design as "new" and "unique."

The jury found Molten's claim to be an innovator was false, and intentionally so. *See* Jury Verdict (answers to questions one and two), App. 108. The jury awarded Baden damages of $8,054,579 (the discounted value of Molten's increased payments to

FIBA under the 2007-2016 agreement). *See* Jury Verdict (answer to question three), App. 109. The jury also awarded Baden $38,031 for damages caused by Molten's sale of its infringing basketballs in the United States (based on a royalty of so many dollars per infringing sale). *See id.* (answer to question five), App. 109. The District Court denied Molten's post-trial motion for judgment as a matter of law on Baden's Lanham Act claim, holding that the claim was not foreclosed by this Court's decision in *Dastar*. *Baden*, 541 F.Supp.2d at 1160, App. 86.

Molten appealed. In relevant part, Molten asked the Federal Circuit to reverse the District Court and grant Molten a judgment as a matter of law dismissing Baden's false advertising claim, again asserting this claim was foreclosed by *Dastar*.[5] The Federal Circuit agreed with Molten that *Dastar* foreclosed Baden's false advertising claim. The court held that the claim rested – in the court's words – on a dispute over the "authorship" of the "dual cushion" basketball design, and the court read *Dastar* as foreclosing any

[5] This was Molten's only ground for requesting the dismissal of Baden's false advertising claim. Molten raised several issues in support of an alternative relief request of a new trial on that claim, including a challenge to Baden's measure of damages. The Federal Circuit reached none of those issues, given its decision to grant Molten a judgment as a matter of law based on *Dastar*. Baden would agree that, in the event this Court grants Baden's petition, reverses the Federal Circuit and reinstates the District Court's denial of Molten's request for judgment as a matter of law, this case should be remanded back to the Federal Circuit to address the balance of Molten's appeal.

such claim, whether made under Subsection A or Subsection B of Section 43(a) of the Lanham Act. *Baden*, 556 F.3d at 1308, App. 16.

REASONS FOR GRANTING THE WRIT

I. Summary Introduction.

Section 43(a)(1) of the Lanham Act establishes liability for damages caused by unfair trade practices. The act distinguishes – among other things – between liability for falsely representing the origin of goods (addressed in Subsection A), and falsely representing in commercial advertising or promotion the nature, quality, or characteristics of goods (addressed in Subsection B).

This Court observed in *Dastar* that Section 43(a) applies to unfair trade practices "prohibited by its text." 539 U.S. at 29. *Dastar* concerned the scope of liability for falsely representing the origin of goods. To determine the scope of that liability, this Court applied the "natural understanding" of the words "origin" and "goods" to conclude that the claim at issue could not be sustained under that meaning. *See* 539 U.S. at 31.

Under *Dastar*, the legal viability of Baden's false advertising claim should turn on the natural understanding of the words of Subsection B. The Federal Circuit should have asked whether a statement in a commercial advertisement or promotion, which

falsely claims that the manufacturer is an "innovator" based on the design of the manufacturer's goods, can also constitute a misrepresentation of the "nature," "characteristics" or "qualities" of those goods. To answer that question, the Federal Circuit should have applied the natural understanding of the terms "nature," "characteristics" and "qualities." Had the court done so, it would have recognized that the legal viability of Baden's claim turned on whether a misrepresentation about Molten's status as an "innovator" in sports ball design concerned a "distinguishing" "trait" or "attribute" of sports balls.

The Federal Circuit instead asked whether a misrepresentation about a manufacturer's status as an "innovator" concerned the "authorship" of the design of the product upon which the claim of innovation was based. Concluding that Baden's dispute with Molten did concern "authorship," the Federal Circuit determined that *Dastar* barred Baden's claim because *Dastar* supposedly rules out any claim under either subsection of Section 43(a)(1) if that claim concerns "authorship."

The jury found that: (1) Molten had misrepresented its status as an innovator by misrepresenting the design of its "dual cushion" basketballs as "new" and "unique"; and (2) whether a sports ball manufacturer is an "innovator" is a trait that matters to purchasers of sports balls. Given these findings, Baden's false advertising claim should have been sustained under a natural understanding of the language of Subsection B. But under the decision of

the Federal Circuit, these findings are not sufficient: Because this otherwise valid false advertising claim *also* concerns the "authorship" of a good (here, the design of a basketball), the Federal Circuit insists that the claim must be disallowed.

No good purpose is served by imposing this "authorship" limitation on Lanham Act false advertising claims. The limitation is not compelled by this Court's rejection of the claim at issue in *Dastar*, and conflicts with this Court's directive in *Dastar* that the legal viability of Section 43(a)(1) claims must be determined by application of the natural understanding of the statute's terms. The limitation also undermines statutory protections against false representations in commercial advertising and promotions about the design of goods. Review therefore is warranted under Rule 10(c) because the Federal Circuit has decided an important question of federal law that has not been, but should be, settled by this Court.

II. Section 43(a)(1)(B) of the Lanham Act Declares that Parties May Be Held Liable in Damages For False Representations Made During Commercial Advertising or Promotions, If the Representations Concern the "Nature, Characteristics or Qualities" of Goods. Baden's False Advertising Claim Against Molten Falls Squarely Within the Scope of Liability for False Advertising Established By the Natural Understanding of the Language of Subsection B.

The Lanham Act has been described as the "paramount source of trademark law in the United States." Senate Judiciary Committee Report on S. 1883, Sept. 15, 1988, at 2, reprinted in *The Trademark Law Revision Act of 1988 (Public Law 100-667)*, at 154 (United States Trademark Association, N.Y., N.Y. 1989). Professor J. Thomas McCarthy, the leading American authority on trademark and unfair competition law, has stated that Section 43(a) of the act "was designed to protect consumers as well as commercial interests from the effects of false advertising." 5 J. McCarthy, *McCarthy on Trademarks and Unfair Competition* ("McCarthy"), § 27.25 at 27-46 (2009 ed.) (footnote with citations omitted). The act achieves this goal not by allowing consumers to sue directly for damages caused by false advertising, but by empowering competitors of the defendant to do so. As the Sixth Circuit explained in *Coca-Cola Co. v. Procter & Gamble Co.*, 822 F.2d 28 (6th Cir. 1987):

> Protecting consumers from false or misleading advertising . . . is an important goal of the statute and a laudable public policy to be served. Under our economic system, competitors have the greatest interest in stopping misleading advertising, and a private cause of action under section 43(a) allows those parties with the greatest interest in enforcement, and in many situations with the greatest resources to devote to a lawsuit, to enforce the statute rigorously.

822 F.2d at 31.

Congress substantially overhauled the Lanham Act in 1988, and the changes – in Professor McCarthy's words – made "crystal clear" its intent to protect consumers from the insidious effects of false advertising. *See* McCarthy, § 27.25 at 27-49 to 27-50. Congress replaced the existing language of Section 43(a) – the product of the last Lanham Act revision in 1947 – with a new structure that more fully elaborated the scope of the statute's prohibition on false advertising, by expressly prohibiting any false or misleading description or representation of fact in a commercial advertisement or promotion which misrepresents the "nature, characteristics, qualities or geographic origin" of the advertiser's goods, services or commercial activities, or those of others.

The intended breadth of this provision is confirmed by application of this Court's mandate in *Dastar*, under which one determines the scope of Section 43(a)(1) by looking to the "natural understanding"

of the terms employed by Congress when it rewrote that section some 20 years ago. *See Dastar*, 539 U.S. at 31. This Court in *Dastar* determined the natural understanding of the terms "origin" and "goods" by looking to well-established dictionary definitions. *Id.* Doing the same thing here, one finds the terms "nature," "characteristics," and "qualities" share a common focus on "distinguishing" "traits" or "attributes." *E.g.*, *Webster's Third New International Dictionary* (unabridged, 1981) at 376, 1507 & 1858 (definitions of "characteristic," "nature," and "quality," respectively). The Circuit Courts of Appeals have repeatedly required that false advertising claimants must show that a misrepresentation is "material" to purchasers of the good at issue,[6] and in doing so have

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[6] *See, e.g., Cashmere & Camel Hair Manufacturers Institute v. Saks Fifth Ave.*, 284 F.3d 302, 311-12 (1st Cir. 2002) ("The materiality component of a false advertising claim requires a plaintiff to prove that the defendant's deception is 'likely to influence the purchasing decision'" (citation omitted)); *NBA v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir. 1997) ("inaccurac[ies]" that "would not influence consumers" are not material and not actionable); *Taquino v. Teledyne Monarch Rubber, Inc.*, 893 F.2d 1488, 1500 (5th Cir. 1990) (a deception is material if "it is likely to influence . . . purchasing decision[s]"); *American Council of Certified Podiatric Physicians and Surgeons v. American Bd. of Podiatric Surgery*, 185 F.3d 606, 613 (6th Cir. 1999) (a statement is material if "it will likely influence the deceived consumer's purchasing decisions"); *B. Sanfield, Inc. v. Finlay Fine Jewelry Corp.*, 168 F.3d 967, 971 (7th Cir. 1999) (a false statement is actionable if it concerns "a subject material to the decision to purchase the goods"); *Everest Capital, Ltd. v. Everest Funds Mgmt., L.L.C.*, 393 F.3d 755, 764 (8th Cir. 2005) (a false statement is actionable "that was likely to influence purchasing

(Continued on following page)

correctly focused on the inquiry mandated by the natural understanding of the language employed by Congress: Does the misrepresentation concern a trait or attribute of the good which distinguishes the good and therefore is likely to influence purchasing decisions?

The answer to this question in the individual case will depend upon what is shown to matter to prospective purchasers of the product at issue. Here, Baden introduced evidence to show that purchasers of sports balls place great weight upon whether the ball's design represents the latest in technical development, because cutting edge design is associated in the minds of sports ball users with improved performance on the court or field of play. In turn, the jury was instructed that Baden must prove not only that Molten had falsely represented itself as an innovator, but also that such a false representation was likely to influence the purchasing decisions of sports ball consumers.

The jury's finding that Molten had engaged in false advertising thus was fully grounded in the basic principles of Subsection B, as established by the

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decisions"); *William H. Morris Co. v. Group W, Inc.*, 66 F.3d 255, 257 (9th Cir. 1995) (per curiam) (a false advertising claimant must show that the false statements influenced consumer purchasing decisions); *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 964 (D.C. Cir. 1990) (op. per Thomas, J.) (a false advertising plaintiff must prove that the defendant's ads were "material in their effects on buying decisions").

natural understanding of that subsection's terms. Under that understanding, a party may recover damages for false advertising that concerns the distinguishing attributes or traits of a product. Baden introduced evidence to show – and the jury found – that Molten's false claim to be an "innovator" in the design of sports balls concerned a distinguishing attribute and trait likely to influence the decision of sports ball consumers to purchase a sports ball manufacturer's products. The District Court's decision allowing Baden's false advertising claim to go to the jury, and then denying Molten's post-trial motion for a judgment as a matter of law dismissing that claim notwithstanding the jury's verdict, thus was entirely consistent with this Court's mandate in *Dastar* that the scope of Lanham Act liability should be determined by giving effect to the natural understanding of the act's terms.

III. The Federal Circuit's "Authorship" Limitation on Section 43(a)(1)(B) False Advertising Claims Has No Support in the Text of the Statute, is Not Compelled by this Court's Decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, and Undermines the Statute's Policy of Consumer Protection.

The Federal Circuit did not dispute that the jury's verdict was supported by substantial evidence.[7] Instead, the Federal Circuit held that Baden's claim, that Molten had falsely represented itself as an innovator, could not go to the "nature, characteristics, or qualities" of the goods at issue because the claim concerned "a false attribution of *authorship*" of the innovation upon which Molten based its claim to be an innovator, and therefore was foreclosed by this Court's decision in *Dastar*. *Baden*, 556 F.3d at 1308, App. 16 (emphasis added).

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[7] The court at one point did state that "no physical or functional attributes of the basketballs are implied by Molten's advertisements." *Baden*, 556 F.3d at 1307, App. 14. This characterization of the record is untenable, given the plain language of the several Molten advertisements and promotionals introduced into evidence making clear that Molten *was* claiming that its "dual cushion" design would improve player performance. *See, e.g.*, Trial Ex. 3 at 1, Supp. App. 5 ("The Innovation in Basketball," November 2004) ("Technology that only Molten can create *helps players attain new levels of performance*. Whether you are dribbling, passing, or shooting, the Molten G Series enhances your ability and gives you a new feel for the game" (emphasis added)).

The Federal Circuit has effectively rewritten Section 43(a)(1)(B) by adding a proviso clause reading "except that no claim shall be allowed for a false or misleading description of fact or representation of fact in commercial advertising or promotion concerning the authorship of the design of goods." This conflicts with the mandate of *Dastar* that the scope of Section 43(a)(1) liability shall be determined by the statute's text, for the very basic reason that the term "authorship" – never mind the lengthy provision that would be required to make "authorship" a limitation on the statute's scope – is not among the words making up that text. It is a hornbook rule of statutory interpretation and construction that courts are to take statutory language as they find it, and are not free to add or subtract words from those the legislature (here, the Congress) has seen fit to employ. The Federal Circuit's "authorship" limitation on Lanham Act false advertising claims violates this basic principle, as well.

To be sure, the Federal Circuit expressed the belief that it was compelled to reach this result by this Court's decision in *Dastar*.[8] But in fact nothing in *Dastar* compelled this result.

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[8] Technically, in reaching this result the Federal Circuit was applying what it understood to be the Ninth Circuit Court of Appeal's interpretation of *Dastar*, based on the court's reading of the Ninth Circuit's decision in *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir. 2008). *Baden*, 556 F.3d at 1308, App. 16-17. The Federal Circuit applies its own law to

(Continued on following page)

Dastar involved an attempt to use a claim of false representation of the origin of goods to get around the problem that the principal claimant (Twentieth Century Fox) had allowed the copyright on the goods in question (the 1949 TV series "Crusade in Europe," based on the wartime memoirs of General Dwight Eisenhower) to lapse. 539 U.S. at 25-26. The defendant (Dastar) had taken the footage from the series now in the public domain, and repackaged it in a VHS format. *Id.* at 26-27. No representation was made by Dastar that its series (entitled "World War II Campaigns in Europe") was in any way derived from the 1949 TV series or based on General Eisenhower's memoirs. *Id.* at 27.

This Court held that Fox did not have a valid claim for false representation of the origin of goods, under Section 43(a)(1)(A). Dastar had made no representation regarding the origin of its series beyond claiming that it had produced the product at hand. This Court refused to expand the meaning of "origin"

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issues of substantive patent law, and the law of the regional circuit on non-patent issues. *Id.* at 1304, App. 7 (citations omitted). In this case, the regional circuit law on the Lanham Act false advertising claim was the Ninth Circuit's law, the case having been tried before the District Court of the Western District of Washington state. That the Federal Circuit was applying what it understood to be the Ninth Circuit's interpretation of *Dastar* should make no difference to whether this Court should grant Baden's petition for a writ of certiorari, in order to answer the question of whether this Court in *Dastar* established an "authorship" limitation on Lanham Act false advertising claims.

of "goods" beyond "the most natural understanding" of those terms: the producer of the tangible product sold in the marketplace. 539 U.S. at 31. Dastar had accurately represented that it was the producer of the VHS series "World War II Campaigns in Europe," and this Court refused to allow Dastar to be held liable because it had not *also* acknowledged its use of certain materials then in the public domain, concluding that this would upset the balance struck by the Congress between copyright and trademark protection, as well as give rise to serious practical problems in trying to pin down the true "origin" – or "author" – of such material. *Id.* at 33-35.[9]

The present case therefore should have been distinguished from *Dastar*:

- First, Baden is not trying to do an end-run around its lack of rights under either the patent or copyright laws. Molten falsely represented its "dual cushion" basketball design was new and unique,

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[9] It was in this context that this Court used the term "authorship." The "good" at issue in *Dastar* was what this Court called a "communicative product," and this Court recognized that purchasers of such products are often primarily interested in the identity of the creator of the product's intellectual content. 539 U.S. at 33. "Authorship" therefore was an entirely understandable "shorthand" term to employ to describe the nature of the interest that Twentieth Century Fox sought to have protected under Subsection A, given the established meaning of the word. *E.g.*, *Webster's Third New Int'l Dictionary* (unabridged, 1981) at 147 "Authorship": "2 a: the origin of a literary production < the disputed ~ of the miracle plays").

when in fact that design infringed on Baden's patented CCT basketball design. Baden sought damages for both patent infringement and false advertising because the two causes of action protect different aspects of Baden's intellectual property rights (in the case of the claim for false advertising, Baden sought damages for the injury done to its goodwill with sports ball purchasers who have come to see Baden as the innovator in ball design based on its development of the CCT basketball).

• Second, Baden is not asserting a claim for false representation of the origin of goods. Baden is asserting a claim for false representations made in commercial advertising and promotions about the nature, characteristics, and qualities of Molten's sports ball product line – that Molten's line is the product of an innovator in the field of sports ball design, as (supposedly) shown by Molten's development of the design of its "dual cushion" basketball. As this Court was careful to point out, if Dastar had claimed that its series was substantially different from the "Crusade in Europe" series, Dastar could have been liable for misrepresenting the nature, characteristics or qualities of its series. 539 U.S. at 38. That is *precisely* what Molten did here – claim that its "dual cushion" basketball design was substantially different from all other basketball designs, when in

fact its "dual cushion" design was merely a "me, too" copy of Baden's CCT design.[10]

In short, *Dastar* does not compel the dismissal of Baden's false advertising claim. And by insisting that *Dastar* does compel that dismissal, because it supposedly establishes an "authorship" limitation on Lanham Act false advertising claims, the Federal Circuit has embraced a reading of *Dastar* that will undermine protections against false advertising concerning the development of product design. As the record of this case demonstrates, who develops –

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[10] The Federal Circuit presumed to dismiss this discussion as "dictum." *Baden*, 556 F.3d at 1307, App. 13. But as Judge Posner has observed, a dictum is "a statement in a judicial opinion that could have been deleted without seriously impairing the analytical foundations of the holding" and "being peripheral may not have received the full and careful consideration of the court that uttered it." *Sarnoff v. American Home Prods. Corp.*, 798 F.2d 1075, 1084 (7th Cir. 1986) (op. per Posner, J.). This Court's carefully constructed hypothetical, illustrating how Dastar could have crossed the line and exposed itself to liability for false advertising under Subsection B, hardly qualifies as the kind of "peripheral" statement that a Circuit Court of Appeals should feel free to ignore – never mind that the Circuit Courts have themselves repeatedly recognized that this Court's dicta are in a special class requiring those courts to give them great weight, to avoid the undesirable "disparity among tribunals" that would otherwise ensue if the lower courts ignored statements that this Court uses "to help control and influence the many issues it cannot decide because of its limited docket." *McDonald v. Master Financial, Inc.*, 205 F.3d 606, 612-13 (3rd Cir. 2000) (citing and quoting in part *United States v. Bloom*, 149 F.3d 549, 653 (7th Cir. 1998) (op. per Easterbrook, J.)).

"originates" – the design of a product can matter greatly to prospective purchasers of goods. And as the record of this case also demonstrates, the goodwill represented by the market's recognition of one as the true innovator in product design can be a highly valuable intellectual property interest. (Indeed, as the damage awards in this case show, the goodwill interest protected by the Lanham Act's false advertising prohibition may be of much greater value than the royalty interests protected by a patent.) An "authorship" limitation on false advertising claims involving the development of product design puts in jeopardy the protection of all of these interests, and in doing so will weaken the statute's protection of consumers by weakening the incentive for the competitors of those engaged in making such misrepresentations from seeking redress under Section 43(a)(1)(B).

CONCLUSION

This Court should grant Baden's petition for a writ of certiorari, so that this Court may resolve the important question of whether Lanham Act false advertising claims should be subject to an "authorship" limitation.

Respectfully submitted,

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May 28, 2009

App. 1

United States Court of Appeals for the Federal Circuit

2008-1216, -1246

BADEN SPORTS, INC.,

Plaintiff-Cross Appellant,

v.

MOLTEN USA, INC. and KABUSHIKI KAISHA MOLTEN (doing business as Molten Corporation),

Defendants-Appellants.

Appeals from the United States District Court for the Western District of Washington in Case No. 06-CV-210, Judge Marsha J. Pechman.

DECIDED: February 13, 2008

Bruce A. Kaser, Vantage Law PLLC, of Issaquah, Washington, argued for plaintiff-cross appellant. With him on the brief was James L. Phillips, Miller Nash LLP, of Seattle, Washington.

Richard P. Bress, Latham & Watkins LLP, of Washington, DC, argued for defendants-appellants. With him on the brief were Erica Goldberg; and Daiske Yoshida, of Tokyo, Japan. Of counsel were Arthur S. Beeman, DLA Piper U.S. LLP, of San Francisco, California; and M. Elizabeth Day, DLA Piper LLP, of East Palo Alto, California.

Before LOURI, RADER, and LINN, *Circuit Judges*.

LOURIE, *Circuit Judge*.

Kabushiki Kaisha Molten and Molten USA, Inc. (collectively "Molten") appeal from a final judgment of the United States District Court for the Western District of Washington denying Molten's motions for a new trial and judgment as a matter of law ("JMOL") relating to a jury award of $8,054,579 for false advertising under Section 43 of the Lanham Act. *See Baden Sports, Inc. v. Kabushiki Kaisha Molten*, 541 F. Supp. 2d 1151 (W.D. Wash. 2008). Baden Sports, Inc. ("Baden") cross-appeals from the court's decision denying Baden's motion for a modified injunction against Molten. Because the court erred in denying Molten's JMOL motion, we reverse.

BACKGROUND

Baden manufactures inflatable sports balls, including high-end, game-quality basketballs. In 1997, Baden obtained U.S. Patent 5,636,835 ("the '835 patent"), which discloses a ball with "raised seams" and a "layer of padding underneath the outer covering." '835 patent col.2 ll.8-9, 18 (filed May 12, 1995). Baden sells basketballs embodying the invention of the '835 patent and markets those balls as containing "cushion control technology."

Molten competes with Baden in the high-end basketball business. In 2002 or 2003, Molten began selling basketballs with an inner, padded layer. Molten

advertised its new basketballs as containing "dual-cushion technology." According to Molten's advertisements, dual-cushion technology combines two different cushioning layers: one layer, made of foam, that surrounds the core of the ball, and a second layer of soft rubber seams.

On February 13, 2006, Baden filed a complaint alleging that Molten's sales and offers to sell basketballs in the United States constituted infringement of the '835 patent. In March of that year, Baden filed a First Amended Complaint alleging that Molten's advertising of its dual-cushion technology basketballs violated Section 43 of the Lanham Act, 15 U.S.C. § 1125. Sometime in the summer of 2006, after settlement discussions between the two companies failed, Molten ceased importing dual-cushion basketballs into the United States.

On July 16, 2007, the district court ruled on Baden's motion for summary judgment of patent infringement. *Baden Sports, Inc. v. Kabushiki Kaisha Molten,* No. 2:06-cv-210, 2007 U.S. Dist. LEXIS 51186 (W.D. Wash. July 16, 2007). Finding that Baden had "shown that every element in Claim 3 of the '835 patent is present in Molten's basketball," the district court granted summary judgment of infringement. *Id.* at *14. The court denied Baden's request for permanent and preliminary injunctions at that time and denied Molten's motion for summary judgment of invalidity. *Id.* at *27-31.

In a separate opinion entered the same day, the district court granted in part and denied in part Molten's motion for summary judgment on the false advertising claims. *Baden Sports, Inc. v. Kabushiki Kaisha Molten,* No. 2:06-cv-210, 2007 U.S. Dist. LEXIS 51252 (W.D. Wash. July 16, 2007). In doing so, the court narrowed the scope of Molten's marketing language to be presented to the jury. First, the court granted Molten's motion for summary judgment on Baden's false advertising claims based on advertisements that used the terms "proprietary" and "exclusive." The court found that "proprietary" and "exclusive" were terms that conveyed the idea that "Molten invented and owns the basketball technology." *Id.* at *16. Those terms, the court held, were precluded from Lanham Act liability by the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). *Id.* at *16-17. However, the court denied Molten's motion for summary judgment on Baden's false advertising claims based on advertisements that used the word "innovative." The court reasoned that "innovative" does not necessarily connote the inventor of the technology, and can describe "the nature, characteristics, or qualities of the basketballs themselves." *Id.* at *17. Such claims of basketball characteristics, the court reasoned, were permissible in light of *Dastar.* Thus, the court allowed Baden to proceed to trial with its false advertising claim, but only insofar as that claim was based on Molten's allegedly false use of "innovative."

In its opening statement at trial, Baden's counsel told the jury that evidence would be presented that Molten had falsely advertised that "dual cushion technology [was] a Molten innovation." Tr. of Oral Argument at 104, *Baden Sports,* 541 F. Supp. 2d 1151 (W.D. Wash. Aug. 6, 2007) (No. 363). Counsel further articulated that Molten should be required to "give up the financial benefit that they have received from falsely advertising dual cushion technology as their innovation." *Id.* at 127. After opening statements, Molten moved, under Federal Rule of Civil Procedure 50(a), for judgment as a matter of law on Baden's false advertising claims, arguing that *Dastar* precluded claims based on authorship of an idea. Tr. of Oral Argument at 192, *Baden Sports,* 541 F. Supp. 2d 1151 (W.D. Wash. Aug. 6, 2007) (No. 365). The court denied the motion. *Id.* at 198.

During trial, the district court excluded some of Molten's proposed evidence. Of relevance to this appeal, the court refused to permit testimony from a number of witnesses regarding the differences between the companies' basketballs. The testimony excluded by the district court included proposed cross-examinations of Baden's expert, Richard Yalch, and Baden's CEO, Michael Schindler, as well as proposed direct examination of Molten USA's CEO, Kiyoaki Nishihara. The court excluded that comparative testimonial evidence based on its prior ruling on infringement. The court found that because summary judgment of infringement of the '835 patent had already been granted, Molten was precluded from arguing that its basketballs

were different from Baden's basketballs. Tr. of R. at 578-81, *Baden Sports,* 541 F. Supp. 2d 1151 (No. 367) ("I've already made the determination . . . that Molten's technology infringes on Baden.").

After both parties rested at trial, the district court invited Molten to renew its Rule 50(a) motion. Molten declined to do so at that time. The jury then returned a verdict awarding Baden $38,031 for patent infringement and $8,054,579 for intentional false advertising under the Lanham Act.

After trial, the district court enjoined Molten from further infringing the '835 patent in the United States and from stating in its U.S. advertising that dual-cushion technology is "innovative." *Baden Sports, Inc. v. Kabushiki Kaisha Molten,* No. 2:06-cv-210, 2007 U.S. Dist. LEXIS 70776 (W.D. Wash. Sept. 25, 2007). Molten then moved for judgment as a matter of law under Fed. R. Civ. P. 50(b) and for a new trial under Fed. R. Civ. P. Rule 59. The court denied both motions. *Baden Sports,* 541 F. Supp. 2d at 1160-63. In denying Molten's Rule 50(b) JMOL motion, the court acknowledged that although some of the testimony at trial conflated "innovative" and "proprietary," the court felt that "other testimony ma[de] clear that the witnesses believed the advertising to be false because Molten's product was not 'new.'" *Id.* at 1159.

Molten timely appealed the district court's judgment, and Baden filed a timely cross-appeal. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We apply our own law with respect to issues of substantive patent law and also with respect to certain procedural issues pertaining to patent law. *See Research Corp. Techs. v. Microsoft Corp.*, 536 F.3d 1247, 1255 (Fed. Cir. 2008) (citations omitted). We apply the law of the regional circuit on non-patent issues. *Id.* In this case, only Baden's cross-appeal implicates patent law. Other than that issue, we are left only to decide whether the district court erred regarding the Lanham Act decision. "In reviewing a trial court's denial of a motion for judgment as a matter of law in Lanham Act cases, this court applies the law of the relevant regional circuit. . . ." *Syngenta Seeds, Inc. v. Delta Cotton Coop., Inc.*, 457 F.3d 1269, 1273 (Fed. Cir. 2006) (footnote omitted). In this case, the applicable regional circuit law is that of the Ninth Circuit. Under Ninth Circuit law, the denial of a Rule 50(b) renewed motion for judgment as a matter of law is reviewed *de novo*. *White v. Ford Motor Co.*, 312 F.3d 998, 1010 (9th Cir. 2002) (footnote omitted). The Ninth Circuit reviews evidentiary rulings under an abuse of discretion standard. *Janes v. Wal-Mart Stores Inc.*, 279 F.3d 883, 886 (9th Cir. 2002). A motion for a new trial is also reviewed for abuse of discretion. *Id.*

Molten makes three primary arguments on appeal. First, it claims that the district court erred by failing to dismiss Baden's Lanham Act claim in light of the Supreme Court's holding in *Dastar*. According to Molten, *Dastar* prohibits Lanham Act claims based on advertisements that falsely claim authorship of an

idea. Thus, Molten argues, because Baden's claims only allege false authorship of an idea, they are prohibited by *Dastar*. Molten argues that, to the extent that the court characterized Baden's claims as concerning aspects other than idea origination, it did so in error. Molten's second argument is that the district court erred in excluding evidence relevant to the element of falsity regarding the "innovation" language in its advertisements. Finally, Molten claims that the $8 million damages award is excessive and against the weight of the evidence and should thus be remitted.

Baden counters that the present case does not revolve around claims of authorship; thus, *Dastar* is irrelevant. According to Baden, *Dastar* only prohibits claims brought under section 43(a)(1)(A) of the Lanham Act that are based on the failure to properly credit an author. Baden argues that its claims were properly brought under section 43(a)(1)(B) of the Lanham Act and therefore are not prohibited by *Dastar*. Furthermore, Baden alleges that significant "non-*Dastar*" evidence independently established Molten's Lanham Act liability. Baden also argues that the district court did not err in denying Molten's request for a new trial based on the exclusion of evidence. Finally, Baden urges this court to find, as the district court did, that the jury's damages award was not excessive and should be upheld.

A. Dastar and Section 43(a) of the Lanham Act

We agree with Molten that *Dastar* precludes Baden's section 43(a) claim. The Supreme Court stated in *Dastar* that section 43(a) of the Lanham Act does not have boundless application as a remedy for unfair trade practices. *Dastar*, 539 U.S. at 29. Because of its inherently limited wording, section 43(a) can never be a federal codification of the overall law of unfair competition, but can only apply to certain unfair trade practices prohibited by its text. *Id.* Section 43(a) of the Lanham Act does not create liability from Molten's advertisements because those advertisements do not concern the "origin of goods," to which section 43(a)(1)(A) is directed, nor do they concern the "nature, characteristics, [or] qualities" of the goods, which is what Ninth Circuit law has interpreted Section 43(a)(1)(B) to address. *See Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137, 1144 (9th Cir. 2008).

Section 43(a)(1) of the Lanham Act reads as follows:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to

> the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

Dastar involved a television series about World War II. The owners of the series allowed its copyright to expire, thus placing the series in the public domain. *Dastar*, 539 U.S. at 26. Dastar Corporation copied and edited the series, added new narrations, repackaged and renamed the series, and began selling the modified video as its own product. *Id.* at 26-27. A number of media companies brought suit against Dastar Corporation alleging that sales of the video violated section 43(a) of the Lanham Act, the same section implicated by the present appeal. *Id.* at 25, 27.

Section 43(a)(1)(A) of the Lanham Act makes actionable any commercial misrepresentation that is likely to cause confusion "as to the origin" of goods. 15

U.S.C. § 1125(a)(1)(A); *see also Dastar,* 539 U.S. at 29-30. The Supreme Court held that "origin of goods," as that term is used in Section 43(a), does not refer to "the person or entity that originated the ideas or communications that 'goods' embody or contain." *Dastar,* 539 U.S. at 32. Instead, the Court read "origin of goods" as referring "to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods." *Id.* at 37. Because Dastar Corporation was the "origin," or producer, of the products it sold, the Court held that Dastar was not liable for false advertising under the Lanham Act. *Id.* at 38.

Applying the Supreme Court's interpretation of section 43(a)(1)(A) to this case entails an evaluation of whether Molten's advertising refers to the "producer of the tangible goods," in which case a claim under section 43(a)(1)(A) would be proper, or whether it refers to "the author of" the idea or concept behind Molten's basketballs, in which case the claim would be foreclosed by *Dastar.* Looking at the case in this light, it is apparent that *Dastar* does not permit Baden to claim false advertising under section 43(a)(1)(A). Baden has not argued that someone other than Molten produces the infringing basketballs, and nothing in the record indicates that Molten is not in fact the producer of the balls. Thus, Baden's claims are not actionable under section 43(a)(1)(A) because they do not "cause confusion . . . as to the origin" of the basketballs.

While Baden agrees that *Dastar* precludes finding liability in this case under section 43(a)(1)(A), it argues that its Lanham Act claims are permitted under Section 43(a)(1)(B). That subsection creates liability for any commercial advertising that "misrepresents the nature, characteristics, qualities, or geographic origin" of goods. 15 U.S.C. § 1125(a)(1)(B). Baden argues that its claims survive *Dastar*'s holding by pointing to dictum at the end of the *Dastar* opinion:

> If, moreover, the producer of a video that substantially copied the Crusade series were, in advertising or promotion, to give purchasers the impression that the video was quite different from that series, then one or more of the respondents might have a cause of action – not . . . under the "confusion . . . as to the origin" provision of § 43(a)(1)(A), but for misrepresentation under the "misrepresents the nature, characteristics [or] qualities" provision of § 43(a)(1)(B).

Dastar, 539 U.S. at 38 (alteration in original). This language, according to Baden, permits Baden to bring its false advertising claim because Molten's "innovation" claims misrepresent the "nature, characteristics, or qualities" of its basketballs.

Indeed, in permitting Baden's "innovation" claims to proceed to trial, the district court relied on *Dastar*. *Baden Sports*, 2007 U.S. Dist. LEXIS 51252, at *17. The court found that "innovative," in contrast to "proprietary" and "exclusive," related to the nature,

characteristics, and quality of the basketballs themselves. *Id.* The court found that "any advertising indicating that Molten's 'Dual Cushion Technology' is 'innovative' or new relates, not to the inventor of Molten's basketball technology, but to the 'nature, characteristics, [or] qualities' of the basketballs themselves. *Dastar* does not bar a false advertising claim based on Molten's advertising that its product or technology is innovative." *Id.*

While the dictum in *Dastar* might suggest that the Supreme Court left open the possibility of a claim arising from a misrepresentation concerning the qualities of certain goods, it does not necessarily suggest that claims based on false designation of authorship are actionable under Section 43(a)(1)(B). Such a holding could create overlap between the Lanham and Patent Acts. *See Sybersound Records,* 517 F.3d at 1144 (excluding false authorship claims from the Lanham Act in order to avoid "overlap between the Lanham and Copyright Acts").

Moreover, the Ninth Circuit, whose law we follow in this Lanham Act case, held that the "nature, characteristics, and qualities" language of Section 43(a)(1)(B) did not refer to the licensing status of a copyrighted good. *Id.* The court held that, to avoid "overlap between the Lanham and Copyright Acts," Section 43(a)(1)(B) must refer to "the characteristics of the good itself." *Id.* According to the court in *Sybersound*, the "nature, characteristics, and qualities" of the disputed karaoke recording referred to such things as the "quality of its audio and visual effects,"

not to its licensing status. *Id.* Following *Sybersound*'s reasoning, we conclude that authorship, like licensing status, is not a nature, characteristic, or quality, as those terms are used in Section 43(a)(1)(B) of the Lanham Act.

Having reached this determination, we now must examine whether Baden's false advertising claims otherwise implicate the nature, characteristics, or qualities of the basketballs. Thus, we must determine whether Baden has alleged anything more than false designation of authorship. We conclude that Baden has not. No physical or functional attributes of the basketballs are implied by Molten's advertisements. "Innovative" only indicates, at most, that its manufacturer created something new, or that the product is new, irrespective of who created it. In essence, Baden's arguments in this case amount to an attempt to avoid the holding in *Dastar* by framing a claim based on false attribution of authorship as a misrepresentation of the nature, characteristics, and qualities of a good.

Baden has repeatedly alleged that Molten falsely claimed that Molten, not Baden, created the innovation known as dual-cushion technology. Throughout the trial, Baden steadfastly argued that Molten's advertisements were false precisely because Molten was not the source of the innovation. *See, e.g.*, Tr. of R. at 1045, *Baden Sports*, 541 F. Supp. 2d 1151 (No. 369) ("They took our technology and they began to advertise it as their own invention."); *id.* at 1051 ("[T]he representation that 'dual cushion technology'

is a Molten innovation would have a tendency to deceive a substantial segment of his audience.").

The district court stated that "[a]lthough some of that testimony indicates that witnesses believed Molten's advertising was false because Baden actually created the patented design, not Molten, other testimony makes clear that witnesses believed the advertising to be false because Molten's product was not 'new,'" *Baden Sports,* 541 F. Supp. 2d at 1159. On appeal, Baden has waived any such argument about novelty or newness, as Baden has limited its arguments to Molten's claims to be the innovator of dual-cushion technology. For example, Baden states in its reply brief that "[t]his is not a case that involves any single consistent use of 'innovative' or 'innovation' in Molten's advertising. Instead, there are multiple variations that collectively convert Molten's advertising from a general statement that it is merely selling an 'innovative' product to communicating [that] 'this particular innovation is Molten's.'" Baden's Reply Br. at 49; *see also id.* at 45 ("Baden did contend that it wanted Molten to stop falsely advertising that Molten is the creator of the design."); *id.* at 50 (arguing that Molten's advertisements are not puffery because they do not merely claim an innovation, but rather "a *Molten* innovation" (emphasis in original)). Furthermore, at oral argument before this court, Baden's counsel confirmed that Baden was alleging false advertising based exclusively on Molten's claim to have been the innovator of the technology.

> **The Court:** "So the only thing you're really saying they offended is by saying, 'We, Molten, made these innovations'?"
>
> **Counsel for Baden:** "*That's correct.* What we're saying is Baden developed this technology."

Oral Argument at 20:45, http://oralarguments.cafc.uscourts.gov/mp3/2008-1216.mp3. Baden has not argued on appeal that Molten's innovation claims were false for any reason other than a false attribution of the authorship of that innovation.

Baden's claims therefore do not go to the "nature, characteristics, [or] qualities" of the goods, and are therefore not actionable under section 43(a)(1)(B). To find otherwise, *i.e.*, to allow Baden to proceed with a false advertising claim that is fundamentally about the origin of an idea, is contrary to the Ninth Circuit's interpretation of *Dastar*. *See Dastar*, 539 U.S. at 37; *Sybersound*, 517 F.3d at 1144. Thus, we reverse the district court's denial of judgment as a matter of law on Baden's Lanham Act claims.[1]

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[1] We note that under the law of a different circuit, this case may well have a different result. *See Zyla v. Wadsworth*, 360 F.3d 243, 252 n.8 (1st Cir. 2004) ("The court in *Dastar* left open the possibility that some false authorship claims could be vindicated under the auspices of § 43(a)(1)(B)'s prohibition on false advertising."); *Clauson v. Eslinger*, 455 F. Supp. 2d 256, 261 (S.D.N.Y. 2006) ("The *Dastar* court explicitly left open the possibility that some false authorship claims could be vindicated under the auspices of this section's prohibition on false advertising."). *But see Antidote Int'l Films, Inc. v. Bloomsbury*

(Continued on following page)

B. Other False Advertising Claims

Baden argues that, even if *Dastar* precludes liability based on Molten's "innovative" language, there was sufficient "non-Dastar" evidence at trial to independently support the jury's Lanham Act award. The evidence that Baden points to includes Molten's "switch" to a non-dual cushion design while still advertising their basketballs as containing dual-cushion technology, and Molten's false claims that its basketballs were designed by a prominent Italian designer.

We find that Baden did not pursue those false advertising arguments at trial. Regarding Molten's alleged "switch," Baden failed to raise a consumer confusion argument in its complaint or the pre-trial order. Thus, Baden did not pursue its "switch" claims at trial and has therefore waived that argument on appeal. *See Eagle v. AT&T Co.*, 769 F.2d 541, 548 (9th Cir. 1985) ("[A] theory will be barred if not at least implicitly included in the [pretrial] order."). Furthermore, Baden did not object to the district court's jury instruction, which referred only to the "innovation" claims. *See* Final Jury Instructions at 16, *Baden Sports, Inc. v. Kabushiki Kaisha Molten,* No. 2:06-cv-210, 2007 U.S. Dist. LEXIS 70776 (W.D. Wash. Sep. 25, 2007) (No. 312) (instructing the jury that Molten

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Publ'g, PLC, 467 F. Supp. 2d 394, 400 (S.D.N.Y. 2006). However, as we are bound by the law of the Ninth Circuit, we adopt *Sybersound*'s holding precluding false authorship claims from being brought under section 43(a)(1)(B).

claimed "'dual cushion' basketballs as a Molten innovation and they were not"). That failure undermines Baden's argument that it pursued the "switch" claim at trial. Lastly, Baden argues that the "switch" became a "significant" issue at trial. However, much of the testimony that Baden points to supporting that argument makes clear that the purpose of the testimony was to demonstrate that Molten had falsely claimed to be the innovator. *See, e.g.*, Tr. of R. at 254, *Baden Sports, Inc. v. Kabushiki Kaisha Molten*, 541 F. Supp. 2d 1151 (No. 365) (witness stating that the significance of the "switch" was that it demonstrated that "it's not their innovation").

Baden similarly failed to pursue its claims based on misrepresentation of the basketball designer. In fact, the district court found that the design issue was "not an issue at trial." Order Regarding Baden's Req. for Entry of Final J. and Permanent Inj. and Defs.' Req. for Remedies-Specific Evidentiary Hr'g at 4, *Baden Sports, Inc. v. Kabushiki Kaisha Molten*, No. 2:06-cv-210, 2007 U.S. Dist. LEXIS 70776 (W.D. Wash. Sept. 25, 2007) (No. 348). Thus, it is evident that Baden pursued only its claim of false designation of authorship at trial. Because that claim is barred by *Dastar*, we reverse the district court's denial of judgment as a matter of law.

C. Other Issues

Because we reverse the Lanham Act claims in light of Dastar, we need not address Molten's further

arguments requesting a new trial based on the exclusion of evidence. Similarly, we need not address Molten's arguments regarding damages.

However, we must address Baden's cross-appeal, which is based on patent law. *See* Baden's Mot. for Entry of J. and Permanent Inj. at 2, *Baden Sports, Inc. v. Kabushiki Kaisha Molten,* No. 2:06-cv-210, 2007 WL 5043097 (W.D. Wash. Aug. 20, 2007) (No. 323). Baden requested that the district court enjoin Molten from using the model numbers GL7, GG7, GL6, GG6, B7GX, and B6GX in the United States. Those model numbers are used by Molten on its dual-cushion basketballs sold outside of the United States, and are also used on basketballs sold in the United States which do not contain dual-cushion technology. Baden argues that, absent the requested relief, there is a substantial likelihood of consumer confusion; *i.e.,* consumers attempting to purchase basketballs with Baden's patented technology in the United States will instead buy Molten's basketballs. However, Baden's request that the district court enjoin the use of Molten's numbering system was brought under the Patent Act, and Baden is now arguing that the district court erred by not applying the Lanham Act standard to its injunction ruling. Baden's Br. at 69-70. Baden cannot argue a new statutory basis for its injunction on appeal.

Furthermore, the district court's *sua sponte* amendment of the original permanent injunction moots the issue. The amended injunction requires Molten to "inform consumers that Molten basketballs

employing 'dual-cushion' technology are not available in the United States." Order Den. Mot. for Contempt but Amending Permanent Inj. at 5, *Baden Sports, Inc. v. Kabushiki Kaisha Molten,* No. 2:06-cv-210, 2008 WL 356558 (W.D. Wash. Jan. 29, 2008) (No. 388). That amendment would appear to remove any potential consumer confusion. We therefore hold that the district court did not abuse its discretion in rejecting Baden's motion to enjoin Molten's use of basketball model numbers.

CONCLUSION

Because Baden's Lanham Act claims were not actionable under Ninth Circuit law, we reverse the district court's denial of judgment as a matter of law and vacate the damages award based on those claims.

REVERSED

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

BADEN SPORTS, INC., Plaintiff, v. KABUSHIKI KAISHA MOLTEN (DBA MOLTEN CORPORATION) AND MOLTEN U.S.A. INC., Defendants.	No. C06-210MJP ORDER GRANTING IN PART AND DENYING IN PART BADEN'S MOTION FOR SUMMARY JUDGMENT AND DENYING REQUEST FOR INJUNCTIVE RELIEF (Filed Jul. 16, 2007)

This matter comes before the Court on Plaintiff's motion for an order granting partial summary judgment to Baden for patent infringement, a permanent injunction in favor of Baden and dismissal of Defendants' counterclaim brought under the Lanham Act, 15 U.S.C. § 1125. (Dkt. No. 170.) Molten opposes the motion. (Dkt. No. 185.) Having considered the motion and response, Baden's reply (Dkt. No. 189), all documents submitted in support thereof; and the record herein, and having heard oral argument on the issues, the Court GRANTS IN PART and DENIES IN PART Baden's motion.

Background

The Court has previously described the facts underlying Plaintiffs claims in this case. Briefly, Defendants Kabushiki Kaisha Molten (d/b/a/ Molten

Corp.) and Molten U.S.A. (collectively "Molten") and Plaintiff Baden Sports are competitors in the sports ball business. Molten Corp. is a Japan corporation; it owns Molten U.S.A. and uses Molten U.S.A. as its U.S. distributor. (Compl. ¶ 5.) In the 1990's, Baden developed and patented a new game-quality basketball that is "cushioned" or "padded." (Third Amended Complaint [hereinafter Compl.] ¶ 10.) The basketball is "padded" by manufacturing it with a cellular sponge layer that underlies the basketball's exterior skin panels and seams. (*Id.*) On May 12, 1995, Baden filed a patent application on certain features of its padded basketball design. (*Id.* ¶ 11.) The United States Patent Office granted Baden a patent on June 10, 1997: U.S. Patent No. 5,636,835 ("the '835 patent"). (Phillips Decl., Ex. A.)

In February 2006, Baden filed a complaint against the Molten defendants, alleging that Molten's "Dual Cushion Technology" basketballs infringe Baden's '835 patent, and that Molten's conduct violates the Lanham Act. After a series of amendments that added and deleted claims, Baden's Third Amended Complaint substantially repeats the original patent infringement claim and asserts false advertising claims. (*See* Dkt. No. 103.) Baden alleges that Molten recently introduced several basketball models into the U.S. market that copy Baden's technology. (Compl. ¶ 15.) Baden alleges that Molten's "Dual Cushion Technology" basketballs duplicate the seam

and cellular sponge layer construction of Baden's patented design.[1] (Compl. ¶ 40.) Molten answered the Third Amended Complaint, asserting numerous defenses including invalidity for obviousness. (Dkt. No. 123.) Molten also brought three counterclaims for (1) a declaratory judgment of patent invalidity of the '835 patent, (2) a declaratory judgment of non-infringement of the '835 patent, and (3) unfair competition under the Lanham Act. (*Id.*) Baden responded to the counterclaims, and also brought its own counterclaim, asserting the following:

> [F]ollowing commencement of this action, and prior to the date of Molten's March 15 counterclaims, Molten alleged that it redesigned the basketball that gave rise to this action but did not alter the basketball model numbers.[2] In response to Molten's latest counterclaims for declaratory relief, Baden claims that Molten's "redesigned" basketballs infringe the '835 patent.

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[1] Baden identified these basketballs by their model numbers: GL7, GG7, GL6, GG6 B7GX, and B6GX. (Compl. ¶ 18.) Collectively, these basketballs are referred to as the "Dual Cushion Technology" basketballs or the "G-series" basketballs.

[2] In letters dated April 6, 2006, and May 10, 2006, from Molten's attorney to Baden's counsel, Molten's attorney explained that Molten Corp. had replaced the allegedly infringing basketball with basketballs made according to Molten's Japanese Patent No. 51-157253, published on December 15, 1976. (Phillips Decl., Ex. H; Dkt. No. 132-3.) It appears from the May 10 letter that Molten's counsel sent Baden a prototype of the "new" ball and that Molten planned to start shipping "replacement" balls on June 1, 2006. (Dkt. No. 132-3.)

(Dkt. No. 131.) In an answer to Baden's counterclaim, Molten denied that the "redesigned" basketballs infringe the '835 patent.[3] (Dkt. No. 146.)

The Court has issued a number of orders that are pertinent to this motion. First, in January 2007, the Court issued a claim construction order that defined the two disputed claim terms. The Court ordered that:

> (1) "Raised seams" means "a piece of material that is at a higher position than the sponge layer of the basketball."
>
> (2) "Strips of seam material" means "strips of seam material."

(Dkt. No. 202, Corrected Order at 1.) In March 2007, Molten filed a motion for summary judgment and argued that Baden's patent is invalid for obviousness. (Dkt. No. 132.) The Court denied Molten's motion, holding that because Molten failed to provide any evidence of the level of ordinary skill in the field of basketball design, Molten could not show that Baden's patent would be obvious to a person of ordinary skill in the art and therefore could not carry its burden of showing that Baden's patent is invalid for obviousness. (Dkt. No. 180, May 23, 2007 Order.)

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[3] The Court refers to Molten's "redesigned" ball as the "new" basketball, and refers to the ball that was the original target of Baden's complaint as the "old" basketball. The Court recognizes that multiple basketball model numbers fit within the "old" and "new" categories.

Baden has now moved for partial summary judgment regarding infringement of the '835 patent. (Dkt. No. 170.) In its written motion, Baden sought a ruling that both the "old" and "new" basketballs infringe Baden's patent. Baden also requested a permanent injunction prohibiting Defendants, and those acting in concert with Defendants, from further advertising, offering for sale, selling, or using the infringing basketballs. Finally, Baden sought dismissal of Molten's Lanham Act counterclaim. But at oral argument, Baden acknowledged that the "new" basketball does not infringe. However, Baden argues that Molten continues to "offer to sell" its infringing basketball. Baden also conceded that its request for a permanent injunction was premature, but asked the Court to consider its request as one for a *preliminary* injunction. Molten opposes Baden's motion for partial summary judgment. Molten argues that the "new" basketball does not infringe and that Baden's patent is invalid. Molten also raises a new Lanham Act claim against Baden.

Discussion

I. Standard on Summary Judgment

Baden has moved for summary judgment on its claim of patent infringement and on Molten's Lanham Act counterclaim. Summary judgment should be granted when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The

party seeking summary judgment bears the initial burden of informing the court of the basis for its motion, and of identifying those portions of the pleadings and discovery responses that demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett,* 477 U.S. 317, 323 (1986). Where the moving party will have the burden of proof at trial, it must affirmatively demonstrate that no reasonable trier of fact could find other than for the moving party. *Calderone v. United States,* 799 F.2d 254, 259 (6th Cir. 1986). On an issue where the nonmoving party will bear the burden of proof at trial, the moving party can prevail merely by pointing out to the district court that there is an absence of evidence to support the nonmoving party's case. *Catrett,* 477 U.S. at 325. If the moving party meets its initial burden, the opposing party must then set forth specific facts showing that there is some genuine issue for trial in order to defeat the motion. *Anderson v. Liberty Lobby,* 477 U.S. 242, 250 (1986).

II. Infringement and Invalidity

Baden argues that Molten infringes Baden's '835 patent by making and selling, as well as offering to sell, its "Dual Cushion Technology" basketballs. Molten argues that its basketballs do not infringe and that the '835 patent is invalid. The Court considers the infringement and invalidity arguments in turn.

A. Infringement

Infringement of a patent is defined by 35 U.S.C. § 271(a). The statute provides, in pertinent part:

> Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.

35 U.S.C. § 271(a). The Federal Circuit has specified a two-step analysis for determining infringement:

> The court must determine (1) the scope and meaning of the patent claims asserted, and (2) how the properly construed claims . . . compare[ ] to the allegedly infringing device. . . . Comparison of the claims to the accused device requires a factual determination that every claim limitation or its equivalent is found in the accused device. Because infringement is a question of fact, infringement is properly decided at summary judgment only when no reasonable jury could find that every limitation recited in the properly construed claim either is or is not found in the accused device.

Int'l Rectifier Corp. v. IXYS Corp., 361 F.3d 1363, 1369 (Fed. Cir. 2004) (internal question marks and citations omitted).

In this case, the Court has already concluded the first step – it construed the asserted claim terms in

its claim construction order. Thus, the question here is whether every element (i.e., claim limitation) of at least one claim in Baden's patent is present in Molten's "Dual Cushion Technology" basketballs. Only a single claim need be infringed to constitute infringement. *Panduit Corp. v. Dennison Mfg. Co.*, 836 F.2d 1329, 1330 n.1 (Fed. Cir. 1987). But every limitation laid out in the patent claim must be found in the accused product to constitute literal infringement. *General Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 981 (Fed. Cir. 1997). Baden argues that every limitation in Claim 3 of its '835 patent is present in Molten's "Dual Cushion Technology" basketballs.

1. "Old" Basketballs

First, Baden argues that every limitation in Claim 3 of the '835 patent is present in Molten's "old" basketball. Claim 3 states:

> A ball carcass for a padded inflatable ball, comprising: an inner carcass portion defining the shape of a ball, a cellular sponge layer surrounding the inner carcass portion, a plurality of raised seams defined by strips of a seam material, wherein the strips of seam material are bonded directly to the cellular sponge layer and the sponge layer underlies the strips of seam material, the seam material strips being arranged relative to the sponge layer so that areas of the sponge layer are exposed between the seam material strips, and wherein the inner carcass

> portion, the cellular sponge layer and raised seams together define the ball carcass.

(Phillips Decl., Ex. A.) Molten has admitted that the following claim limitations are present in its G-series basketballs: 1) a ball carcass for a padded inflatable ball, comprising; 2) an inner carcass portion defining the shape of a ball; 3) a cellular sponge layer surrounding the inner carcass portion; and 4) the sponge layer underlies the strips of seam material. (*See* Phillips Decl., Ex. AA, at 3-4.)

Baden argues that the remaining disputed elements are present in Molten's "old" basketball. Baden points to a photograph of a cross-section of Molten's "old" basketball that visually depicts each of the remaining elements. (*See* Plf.'s Mot. at 18.) It appears from the photograph that Molten's basketball contains (1) raised seams defined by strips of a seam material, (2) strips of seam material bonded directly to the cellular sponge layer, (3) a sponge layer underlying the strips of seam material, and (4) seam material strips arranged relative to the sponge layer so that areas of the sponge layer are exposed between the seam material strips, wherein the inner carcass portion, the cellular sponge layer and raised seams together define the ball carcass. Thus, Baden has presented evidence that indicates that Molten's "old" basketball contains every limitation in Claim 3 of Baden's '835 patent.

Although Molten originally disputed whether the remaining elements in Claim 3 were present in

Molten's basketball, (*see* Phillips Decl., Ex. AA, at 3-4) in their response to Baden's motion, Defendants raise only a single issue with one of the elements. Molten argues that its "old" basketball used a "solid seam" and not a "strip of seam material." Molten argues that there is a question of fact "as to whether the narrow strips of seam material required by the claims of the '835 patent cover Molten's 'solid seam.'" (Defs.'s Resp. at 2.) But whether "strips of seam material" covers "solid seams" is not a question of fact. Indeed, Molten has not even attempted to present any evidence indicating that a "solid seam" is not a "strip of seam material." Whether "strips of seam material" include "solid seams" is a question about the scope of the claim term – a question that needed to be raised and decided as part of the Court's claim construction analysis.

Not only is it untimely, but Molten's argument also contradicts the Court's claim construction order. Molten previously argued as part of the claim construction process that Baden's patent was limited to a design with strips of seam material with a raised portion that is not solid underneath, but rather, has foam underneath and within the raised portion of the seam. The Court rejected that argument and concluded that Baden's patent is not limited in that way. (Dkt. No. 202, at 8.) Thus, the Court anticipated that Baden's patent claim would cover both strips of seam material that are filled with foam *and* solid strips of seam material. Molten cannot argue at this stage

that there is a material issue of law or fact regarding "strips of seam material."

Baden points to an e-mail from Molten's employee, Mr. Tatebe, to Molten U.S.A. CEO Kiyoaki Nishihara, in which Mr. Tatebe wrote: "There is infringement with regard to past manufacturing and sales." (Phillips Decl., Ex. D.) Baden argues that this e-mail is an admission that Molten's "old" basketball infringes. Molten argues that Baden has taken this statement out of context and that Mr. Tatebe was only explaining a "worst case scenario." (Dkt. No. 185-2, Nishihara Decl. ¶ 12.) The Court does not rely on Mr. Tatebe's e-mail as part of its infringement analysis.

Molten has presented no evidence suggesting that its basketball does not infringe the '835 patent. As the non-moving party, Molten has the burden of setting forth specific facts showing that there is some genuine issue of material fact for trial. *See Liberty Lobby,* 477 U.S. at 250. Because it has failed to do so, and because Baden has asserted and shown that every element in Claim 3 of the '835 patent is present in Molten's basketball, summary judgment on Baden's claim that Molten's "old" basketball infringes Baden's '835 patent is warranted.

2. "New" Basketballs / "Offer to Sell"

Baden acknowledged at oral argument that Molten's "new" design does *not* infringe Baden's '835 patent. Thus, the Court need not analyze whether

Molten has raised any genuine issues about whether the "new" ball infringes. But in its reply brief, Baden argues that Molten continues to "offer to sell" infringing basketballs within the meaning of 35 U.S.C. § 271(a). The statute defines "offer for sale" or an "offer to sell" as "that in which the sale will occur before the expiration of the term of the patent." 35 U.S.C. § 271(i). As explained by the Federal Circuit in *3D Systems,* Congress added "offer[ ] to sell" to § 271(a) in part to prevent competitors from "generating interest in a potential infringing product to the commercial detriment of the rightful patentee." *3D Systems, Inc. v. Aarotech Labs., Inc.,* 160 F.3d 1373, 1379 (Fed. Cir. 1998). The offer need not be formal, but must "communicate[ ] a manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it." *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.,* 420 F.3d 1369, 1376 (Fed. Cir. 2005) (internal quotation marks omitted). In *3D*, the Federal Circuit concluded that because defendant's price quote letters contained a description of the allegedly infringing merchandise and the price at which it could be purchased, the letters were offers to sell. 160 F.3d at 1379. Some district courts have concluded that mere advertisements directed to a national audience are not "offers to sell" within a particular forum. *See Intel Corp. v. Silicon Storage Tech., Inc.,* 20 F. Supp. 2d 690 (D. Del. 1998). But a website that contains a detailed description of the allegedly infringing product and the product's price may constitute an "offer to sell." *See*

Biometrics v. New Womyn, 112 F. Supp. 2d 869, 873 (E.D. Mo. 2000).

Baden argues that Molten continues to "offer to sell" its infringing basketballs by continuing to describe its basketballs with the phrase "Dual Cushion Technology" and by using the same model numbers that Baden identified in its complaint on Molten's "new" basketballs. Baden argues that because Molten is generating interest in the infringing product, it is immaterial whether Molten actually delivers the infringing product, or the "new" redesigned basketball. Baden has presented evidence that Molten continues to "offer to sell" its infringing basketball. Molten uses the phrase "Dual Cushion Technology" to describe a basketball with "(1) a high-density/high cushion foam between the surface and reinforcing layer; and (2) a special soft rubber in the panel seams." (Plf.'s Reply at 5; Compl. ¶ 15.) Thus, it appears that the phrase "Dual Cushion Technology" describes that aspect of Molten's "old" basketball that infringes Baden's patent. But even after Molten "redesigned" its basketball sold in the United States, Molten U.S.A. has continued to advertise "Dual Cushion Technology" basketballs for sale on its websites. (*See* Schindler Decl. ¶ 16.) Molten Corp. continues to advertise "Dual Cushion Technology" basketballs for sale on its website without distinguishing between U.S. and overseas sales. (*Id.*) Baden has also presented evidence that in April 2007, Molten sent a Texas school association a Molten GX6 basketball and directed the association to a third-party website that

advertises and sells basketballs marked with the G-series model numbers and the words "Dual Cushion Technology." (*Id.* ¶¶ 12-14.) And Baden has presented evidence that other third-party retailers continue to advertise and offer for sale "Dual Cushion Technology" basketballs. (*Id.* ¶ 18.)

At oral argument, Molten did not dispute that a defendant violates § 271(a) by offering to sell an infringing product, even if the defendant delivers a non-infringing product. Instead, Molten focuses its defense on the limited geographic reach of the U.S. patent laws. Molten also argues that it cannot be held responsible for any third-party advertising of Molten's "Dual Cushion Technology." And Molten argues that it is not legally obligated to change the model numbers used to identify its basketballs, even though it changed the internal construction of the balls.

It is well-established that section 271(a) only reaches infringing activities that occur within the United States. *MEMC*, 420 F.3d at 1375. Courts have concluded that where a defendant offers to sell products abroad, even when the offer itself was made in the United States, § 271(a) is not violated. *See, e.g., Cybiotronics, Ltd. v. Golden Source Elecs., Ltd.*, 130 F. Supp. 2d 1152, 1171 (C.D. Cal. 2001); *Quality Tubing, Inc. v. Precision Tube Holdings Corp.*, 75 F. Supp. 2d 613, 622-25 (S.D. Tex. 1999). As the court explained in *Quality Tubing*, "[b]ecause a sale is infringing only if it occurs within the United States, an offer to sell is not infringement unless the

contemplated sale is to occur in the United States." *Quality Tubing,* 75 F. Supp. 2d at 624.

The Court agrees that a defendant cannot be held liable for any sales or offers to sell products to consumers abroad. *See id.* But if Molten offers to sell infringing basketballs to *U.S.* consumers, even if the offer is made through a foreign website, Molten has "offer[ed] to sell" an infringing product in violation of § 271(a). *See Multi-Tech Sys. v. VocalTec Commc's., Inc.,* 122 F. Supp. 2d 1046, 1051 (D. Minn. 2000) (holding that Israeli corporation engaged in allegedly infringing act when it offered to sell allegedly infringing product on its website); *see also Biometrics,* 112 F. Supp. 2d at 873 (holding that domestic website that contains description of product an[d] product price is "offer to sell" under § 271(a)). Baden has presented some evidence that, even after Molten "redesigned" its basketball, Molten has continued to "offer to sell" "Dual Cushion Technology" basketballs to U.S. consumers through the Molten U.S.A. website, through personal communications, and through third-party retailers. But Molten has not had an opportunity to thoroughly respond to this evidence and argument. Although Baden offered evidence of Molten U.S.A.'s sales in its opening motion, Baden did not argue that Molten's "offer to sell" non-infringing basketballs violates § 271(a) until its reply brief. The Court will not decide this issue without giving Molten an opportunity to present a written response to Baden's

argument. Summary judgment on this issue is therefore denied.[4]

B. Invalidity

Molten argues that Baden's '835 patent is invalid. Patent invalidity is a defense that may defeat an infringement claim. *See, e.g., Robotic Vision Sys., Inc. v. View Eng'g, Inc.,* 189 F.3d 1370, 1377 (Fed. Cir. 1999). Because a patent is presumed to be valid, the evidentiary burden to show facts supporting a conclusion of invalidity is one of clear and convincing evidence. *AK Steel Corp. v. Sollac & Ugine,* 344 F.3d 1234, 1238-39 (Fed. Cir. 2003). Molten raises two invalidity defenses in response to Baden's motion for infringement.

1. Obviousness

A patent is invalid for obviousness "if the differences between the subject matter sought to be patented and the prior art are such that the subject

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[4] Because the Court does not decide whether Molten's "offer to sell" violates § 271(a), the Court does not address the more difficult questions of whether § 271(a) reaches Molten where third-party retailers continue to offer to sell "Dual Cushion Technology" basketballs. The Court notes that at least one court has suggested that sales and offers to sell through third-party retailers constitute infringement. *See Multi-Tech Sys.,* 122 F. Supp. 2d at 1051. The Court also does not reach the question of whether Molten is legally obligated to change the model numbers on its "new" basketballs.

matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a). On May 23, 2007, the Court denied Molten's motion for summary judgment on the issue of obviousness. (Dkt. No. 180.) The Court denied the motion because Molten had provided no evidence of the level of ordinary skill in the field of basketball design. Now, as a defense to Baden's motion for infringement, Molten offers declarations from two individuals who claim that they have "ordinary skill in the art." Molten argues that the combination of Molten's '263 and '264 patents would have been obvious to a person of ordinary skill in the art, and for that reason, Baden's patent is invalid.

Molten argues that Kiyoaki Nishihara is a person with ordinary skill in the art of basketball design. Mr. Nishihara has presented a declaration in which he states that as a result of his education and subsequent on-the-job training, he considers himself to be "of ordinary skill in this very simple and easily understandable technology." (Nishihara Decl. ¶ 8.) But Mr. Nishihara's assertion that he is one with ordinary skill in the art is belied by his deposition testimony in which it appears that Mr. Nishihara is not well-versed in basketball design. For example, in response to a question about whether a certain patent depicted "dual cushion technology," Mr. Nishihara responded, "Well, I don't have any engineering background so even if I reviewed this [patent], I probably do not have a proper answer to your question."

(Phillips Decl., Ex. U, at 114-15.) Then Mr. Nishihara and Baden's counsel engaged in the following exchange:

> Q: Sure. Would you agree with me that there is a foam layer underneath the seam in that drawing?
>
> A: Underneath the seam, no, I don't. Or I am – I don't know. It appears to me that the seam itself is a cushion layer. . . .
>
> Q: Isn't that underneath the seam?
>
> A: No. The seam itself seems to be the foam layer. Well, first of all, I do not know what the seam exactly means . . . but again, I do not know. I have no idea.

(*Id.* at 116.)

Not only has Mr. Nishihara admitted in deposition that he is not skilled enough in the art to identify "dual cushion technology" or "seams," he also admitted in his deposition that, at least as of March 28, 2007, he had never even read the '263 or '264 patents. (Seffernick Decl., Ex. F, at 234.) Nowhere in his deposition or declaration does Mr. Nishihara state that it would have been obvious to him to combine elements of the '263 and '264 patents. Mr. Nishihara's declaration and deposition therefore do not support Molten's assertion that a person with ordinary skill in the art would have known to combine elements of the '263 and '264 patents.

But Molten also presents the declaration of Craig Barker. Mr. Barker has a bachelor's degree in business from Brigham Young University where he took classes including basic physics, basic chemistry and basic science. (Barker Decl. ¶ 4.) Mr. Barker spent twelve years in the inflatable ball industry, including learning about the construction and manufacture of inflatable balls, and considers himself to be skilled and knowledgeable in the art of basketball construction. (*Id.* ¶ 7.) Mr. Barker states in his declaration that he has reviewed Molten's Japanese Patents, '263, '264, and '253. He states: "The seam and foam layer [indicated in the Japanese Patents] are thus well known old structure parts and the reconfiguration of these parts *e.g.* by placing the seam of '263 in the grove of '264 would be obvious to one of my level of skill in basketball construction." (*Id.* 8.) This testimony presents a genuine issue of material fact on the issue of patent invalidity.

Baden does not refute this testimony with evidence, but argues that Mr. Barker is not an "independent" expert because he worked for Molten Corp. from 1992-2004, during the last seven years of which he served as President of North American Operations. (*See* Seffernick Decl., Ex. D.) But Baden has not requested that the Court strike Mr. Barker's testimony, and Baden has not established how Mr. Barker's former employment with Molten undermines his declaration. Therefore, Molten has raised an issue of fact on the issue of obviousness.

2. Written Description and Enablement Requirements

Molten also argues that Baden's patent is invalid for failing to meet the written description and enablement requirements under 35 U.S.C. § 112. That section requires the following:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

35 U.S.C. § 112. The "enablement" requirement "is satisfied when one skilled in the art, after reading the specification, could practice the claimed invention without undue experimentation." *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1378 (2007). The "written description" requirement "implements the principle that a patent must describe the technology that is sought to be patented; the requirement serves both to satisfy the inventor's obligation to disclose the technologic knowledge upon which the patent is based, and to demonstrate that the patentee was in possession of the invention that is claimed." *Capon v. Eshhar*, 418 F.3d 1349, 1357 (Fed. Cir. 2005).

Molten argues that Baden's basketball cannot be made according to the teachings of the '835 patent.

But Molten has offered absolutely no evidence to support this claim. Molten bases its argument solely on the fact that Baden (allegedly) has refused to produce a cross-section of a Baden basketball that represents Figure 3 in the '835 patent.[5] But Molten's discovery dispute is not itself "evidence" that raises a genuine issue of material fact on summary judgment. Molten has failed to raise a genuine issue of material fact regarding the written description or enablement requirements for patent validity.

C. Conclusion on Infringement and Invalidity Issues

In an infringement suit where defendant brings a counterclaim for invalidity, the court must enter final judgment on both issues. *See, e.g., Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1585 (Fed. Cir. 1995). Here, Baden has never affirmatively moved on Molten's counterclaim for invalidity. Thus, the issue of invalidity remains for trial. Moreover, in addition to being an affirmative claim, patent invalidity is a defense to infringement. *See* 35 U.S.C. § 282. Here, Molten has raised a material issue of fact regarding invalidity. Thus, the Court cannot enter a final judgment on infringement.

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[5] It appears from the record that Baden actually *did* make available to Molten a cross-section of its basketball. (*See* An Decl., Ex. B, at 105.)

Nevertheless, considering the effort that the parties have expended in briefing these issues, the Court concludes that it is appropriate to enter partial summary judgment. The Court GRANTS partial summary judgment to Baden on Baden's claim that Molten's "old" basketball infringes Baden's '835 patent. But the Court DENIES summary judgment on Baden's claim that Molten continues to "offer to sell" infringing basketballs. The question of whether Baden's '835 patent is invalid remains for trial. If the jury decides that Baden's patent is invalid, the Court will necessarily amend its judgment regarding Molten's past infringement of the '835 patent.

III. Injunctive Relief

A. Permanent Injunction

Baden seeks a permanent injunction prohibiting Defendants, and any third party, from selling or offering to sell, basketballs that infringe Baden's '835 patent. To obtain a permanent injunction, a plaintiff must show the existence of four factors: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006). But these factors presuppose that the party seeking

the permanent injunction is a *prevailing* party. *See id.* at 1838. And to prevail in a patent infringement action where the issue of patent validity is properly raised, the Court cannot render a final judgment without having the issue of patent validity decided. *See Baxter Healthcare,* 49 F.3d at 1585. Because Baden never moved on Molten's invalidity counterclaim, and because Molten has raised genuine issues in this motion regarding obviousness, Baden's request for permanent injunctive relief is premature.

B. Preliminary Injunction

At oral argument, Baden asked that the Court construe its request for injunctive relief as a request for a *preliminary* injunction. To obtain a preliminary injunction, the moving party must establish that: "(1) it has a reasonable likelihood of succeeding on the merits; (2) it will suffer irreparable harm if the injunction is not granted; (3) the balance of hardships tips in its favor; and (4) an injunction would be consistent with the public interest." *Helifix, Ltd. v. Blok-Lok, Ltd.,* 208 F.3d 1339, 1350-51 (Fed. Cir. 2000). "A patent holder seeking a preliminary injunction bears the burden of establishing a likelihood of success on the merits with respect to the patent's validity. *Id.* at 1351. "The presumption of the patent's validity created by 35 U.S.C. § 282 (1994 & Supp. III 1997) does not relieve a patentee who moves for a preliminary injunction from carrying the normal burden of demonstrating that it will likely succeed on all disputed liability issues at trial, even when the

issue concerns the patent's validity." *Id.* (internal quotation marks omitted). If the alleged infringer raises a substantial question concerning validity, the preliminary injunction should not issue. *Id.* "[T]he showing of a substantial question as to invalidity . . . requires less proof than the clear and convincing showing necessary to establish invalidity itself at trial." *Entegris, Inc. v. Pall Corp.*, 2007 U.S. App. LEXIS 13812, at *32 (Fed. Cir. June 13, 2007) (quoting *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001)).

As mentioned above, Molten has raised a genuine issue regarding invalidity by offering a declaration from an individual who claims that he has ordinary skill in the art, and that it would have been obvious to someone of his skill level to combine elements of two of Molten's Japanese patents to create Baden's patented design. (*See* Barker Decl. ¶ 8.) Because Mr. Barker's declaration raises a substantial question of whether Baden's '835 patent is valid, Baden has not established that it is likely to prevail on the merits of its claims at trial. A preliminary injunction is not warranted.

Even if Molten had not raised a substantial question regarding invalidity, it is unlikely that the Court would issue a preliminary injunction. Trial in this matter is scheduled to begin in less than four weeks. (*See* Dkt. No. 36.) Baden has offered no evidence of irreparable harm that will occur in the period of time between when this order issues and final judgment is entered. Baden argues that "Baden

has suffered irreparable harm from Defendants' theft of Baden's design, followed by their advertising of Baden's design as their proprietary "'Dual Cushion Technology.'" (Plf.'s Mot. at 20.) But that is harm that has occurred, and may be ongoing. It is not a new harm that must be enjoined in the intervening weeks before trial. Baden has informed the Court that the "2007 FIBA Americas Championship" is scheduled to be held in Las Vegas, Nevada, in August 2007. Baden suggests that it will be irreparably harmed by the advertising for Molten basketballs that will occur through that event. But Baden has not presented any evidence that Molten intends to advertise its "Dual Cushion Technology" basketballs at the FIBA Americas Championship. The Court denies Baden's request for a preliminary injunction.

IV. Molten's Lanham Act Counterclaims

In its answer to Baden's Third Amended Complaint, Molten brought a counterclaim for trademark infringement under the Lanham Act. In the counterclaim, Molten identified a letter Baden mailed to all Team Dealers in Ohio in February 2007 that contained allegedly "false statements with respect to Molten U.S.A.'s volleyball pricing and sales practices." (Dkt. No. 123 ¶ 72.) The letter states, in pertinent part:

> Dear Ohio Dealer,
>
> Wouldn't it be nice to sell in a world free of ball adoptions?

> With your support, you will see, this is exactly what we intend to do in Ohio – sell as if there is no adoption. As you know, prices for virtually all adopted game balls are inflated to cover the dramatically escalating costs of adoptions, which both reduce your margins and increase the prices to tax supported schools. . . .
>
> Remember, by simply selling a Molten volleyball, few, if any, of which have been sold through the traditional team dealer network in Ohio, you are likely perpetuating the adoption process and therefore limiting, if not entirely eliminating, your profit margins in the future.

(Dkt. No. 114-2.) In its counterclaim, Molten quotes the above underlined text from the letter. Molten asserts that those statements are false representations of fact made in commercial advertising that are likely to injure Molten. Baden moves for dismissal of this counterclaim. Baden argues that Molten's selective quote from the letter misrepresents the letter as a whole. Baden also argues that Molten has no evidence, aside from the letter itself, to support its claim of false advertising.

In response, Molten offers *no evidence* to support its claim of false advertising regarding the quoted language.[6] Indeed, Molten does not even mention the

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[6] In an earlier filing, Molten presented evidence of the letter itself. (*See* Dkt. No. 114-2, An Decl., Ex. A.) But Molten has

(Continued on following page)

false advertising claim plead in its counterclaim. Instead, Molten raises an entirely new claim. Molten argues that on the flier attached to the February 2007 letter, Baden included a photograph of a Baden volleyball bearing the registered logo of the Ohio State Volleyball Coaches Association and the Ohio High School Athletic Association. Molten argues that Baden's limited license to use these logos expired on December 31, 2006, and that Baden continued to use the logo without authorization.

The Court will not consider this new claim. Molten has not plead this trademark violation in a counterclaim. A party cannot amend its pleadings through arguments in an opposition brief to a motion for summary judgment. *Shanahan v. City of Chicago,* 82 F.3d 776, 781 (7th Cir. 1996).

The Court agrees with Baden that Molten's counterclaim misrepresents the overall message of Baden's letter. Because the false advertising claim as originally plead has little merit, and because Molten has failed to present any evidence in support of that claim, the Court grants summary judgment to Baden

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offered no evidence that the statements in the letter are false, that they deceived the readers, that the statements are likely to influence Team Dealers' purchasing decisions, or that Molten has been or is likely to be injured as a result of the false statement. *See, Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997) (listing elements of Lanham Act § 43(a) false advertising claim).

on this issue and dismisses Defendants' Lanham Act counterclaim.

Conclusion

Baden brought this motion to establish infringement,, obtain a permanent injunction, and dismiss Molten's Lanham Act counterclaim. Molten has failed to raise a genuine issue of material fact regarding infringement of its "old" basketballs. The Court GRANTS partial summary judgment to Baden on the issue of whether Molten's "old" basketballs infringe Baden's '835 patent. Baden also argues that Molten infringes by continuing to "offer to sell" infringing balls, even though the delivered product may not infringe. Because Molten has not had an opportunity to respond to this argument, summary judgment on the "offer to sell" issue is denied.

Molten has also raised a genuine issue regarding invalidity. Whether Baden's '835 patent is invalid, on obviousness, or other, grounds, remains an undecided issue. If Molten prevails on its invalidity claim at trial, the Court will amend its judgment that the "old" basketballs infringe.

The Court DENIES Baden's request for a permanent injunction as premature. The Court also DENIES Baden's request for a preliminary injunction because Molten has raised substantial questions about the validity of Baden's patent and because Baden has failed to show that it will be irreparably

harmed between now and trial, which is scheduled to begin in less than four weeks.

Finally, the Court GRANTS Baden's motion to dismiss Molten's counterclaim. Because Molten has not amended its pleading, the Court will not consider Molten's entirely new claim raised in opposition to Baden's motion.

The clerk is directed to send copies of this order to all counsel of record.

Dated: July 16th, 2007.

/s/ Marsha J. Pechman
Marsha J. Pechman
United States District Judge

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

BADEN SPORTS, INC., Plaintiff, v. KABUSHIKI KAISHA MOLTEN (DBA MOLTEN CORPORATION) AND MOLTEN U.S.A. INC., Defendants.	No. C06-210MJP ORDER GRANTING IN PART AND DENYING IN PART MOLTEN'S MOTION FOR SUMMARY JUDGMENT RE: LANHAM ACT CLAIMS (Filed Jul. 16, 2007)

This matter comes before the Court on Defendant Molten's motion for partial summary judgment on Baden's Lanham Act claims. (Dkt. No. 172.) Plaintiff Baden Sports opposes the motion. (Dkt. No. 182.) Having considered Defendants' motion, Plaintiff's response, Defendants' reply (Dkt. No. 187), all documents submitted in support thereof, and the record herein, and having heard oral argument on the motion, the Court GRANTS IN PART and DENIES IN PART Defendants' motion.

Background

The Court has previously described the facts of this case. Defendants Kabushiki Kaisha Molten and Molten U.S.A. (hereinafter "Molten") and Plaintiff Baden Sports are competitors in the sports ball business. In the 1990's, Baden developed and patented a

new game-quality basketball that is "cushioned" or "padded." (Third Amended Complaint [hereinafter Compl.] ¶ 10.) The basketball is "padded" by manufacturing it with a cellular sponge layer that underlies the basketball's exterior skin panels and seams. (*Id.*) Baden alleges that Molten recently introduced several basketball models into the U.S. market that copy Baden's technology. (Compl. ¶ 15.) Baden alleges that Molten's "Dual Cushion Technology," which is incorporated into numerous Molten basketball models, duplicates the seam and cellular sponge layer construction of Baden's patented design.

Molten has a basketball sponsorship agreement with FIBA, the Federation Internationale de Basketball, which purports to be the world governing body for basketball that controls and regulates international basketball competition. Some of Molten's allegedly infringing basketballs are sold directly to consumers through FIBA's online store. Molten has presented evidence that the FIBA store is operated by a French company named Fanavenue. (Dkt. No. 172-2, An Decl., Ex. A.) It is undisputed that the Molten basketballs sold to U.S. consumers through the FIBA website arrive in the U.S. without any marking of the basketball's country of origin.

Molten advertises its "Dual Cushion Technology" as its own innovation. For example, in an article in FIBA Assist Magazine, Kiyoaki Nishihara, a Molten employee and the named inventor on several of Molten's patents, describes how Molten developed its "project to create a new design for the basketball." The article

describes "Molten's innovative proprietary Dual-Cushion technology." The article states that the technology incorporated in the new basketball, including the dual-cushion technology and the exterior design, is "[t]echnology that only Molten can create." (Dkt. No. 55-11, Kaser Decl., Exh. J.) Third-party retailers, such as amazon.com also advertise for sale Molten basketballs that feature "Innovative Molten Dual Cushion Technology." (*Id.*, Ex. G.) Baden alleges that such advertising is false.

Baden's Third Amended Complaint contains two Lanham Act allegations. First, Baden alleges that Molten is liable for importing basketballs into the United States without marking the country of origin. Baden alleges that this is a deceptive and misleading representation of fact that misrepresents the geographic origin of Molten's basketballs. Second, Baden alleges that Molten is making false or misleading statements of fact in its commercial advertising. Baden alleges that Molten is falsely advertising that its basketballs were designed by a prominent Italian design company. (Compl. ¶ 46.) And Baden alleges that Molten is falsely advertising that its "Dual Cushion Technology" is its own exclusive, proprietary, innovative technology when, in fact, Molten copied Baden's technology. (Compl. ¶¶ 47-48.)

In March, the Court denied Molten's motion for summary judgment on Baden's Lanham Act claims. (*See* Dkt. No. 115.) The Court denied Molten's request to dismiss Baden's geographic misrepresentation claim because "failure to mark the country of origin is

actionable under the Lanham Act" and because "Baden has alleged and presented evidence suggesting that Molten basketballs imported into the United States through the FIBA online store are done so without any country of origin marking." (*Id.* at 7.) And the Court denied Molten's request to dismiss Baden's false advertising claim because it found that Baden had raised genuine issues of material fact on that claim. (*Id.* at 8.) In this motion, Molten again seeks summary judgment on Baden's claims for false advertising and geographic misdescriptiveness.[1]

Discussion

I. Standard on Summary Judgment

Summary judgment is appropriate when there is no genuine issue as to material facts and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56. The party seeking summary judgment bears the initial burden of informing the court of the basis for its motion, and of identifying those portions of the pleadings and discovery responses that demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). If the moving party meets its initial burden, the opposing party must set forth specific facts showing that

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[1] The Court notes that Molten has not moved on Baden's claim that Molten falsely advertises that its basketballs were designed by a prominent Italian design company. (*See* Compl. ¶ 46.)

there is some genuine issue for trial in order to defeat the motion. *Anderson v. Liberty Lobby*, 477 U.S. 242, 250 (1986).

II. False Advertising

Molten argues that Baden's false advertising claim is barred by the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). Baden argues that it has stated a viable false advertising claim under § 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B).

A. Section 43(a) of the Lanham Act

Baden has brought claims under section 43(a) of the Lanham Act. That section provides:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a). Thus, § 43(a) contains two distinct prongs – a "trademark" or "false association" prong under subsection (1)(A) and a "false advertising" prong under subsection (1)(B).

B. Dastar Corp. v. Twentieth Century Film Corp.

Molten argues that Baden's false advertising claim is barred by the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Film Corp.*, 539 U.S. 23 (2003). The facts of the *Dastar* case involve a television series – "Crusade in Europe" – based on General Dwight D. Eisenhower's World War II memoirs. *Dastar*, 539 U.S. at 25-26. Twentieth Century Fox held the exclusive television rights to the memoirs; those rights were granted to a Fox affiliate, and Fox arranged for Time, Inc. to produce the television series. *Id.* The television series combined a soundtrack based on a narration of Eisenhower's book with various film footage, including footage from the U.S. Army, Navy, and Coast Guard. *Id.* at 26. The copyright on the television series expired in 1977. *Id.* In 1988, Fox licensed New Line Home Video to make

and distribute videotapes of the television series. *Id.* Defendant Dastar then obtained tapes of the original "Crusade" television series, edited the content down to about half the length, and created some new content such as a new opening sequence, credit page, and closing page. *Id.* Dastar entitled the resulting videotapes "World War II Campaigns in Europe." *Id.* In its advertising and packaging, Dastar did not mention the "Crusade in Europe" television series or the Eisenhower book. *Id.* at 27. Dastar advertised that its videotapes were "Produced and Distributed by Entertainment Distributing," a Dastar company. *Id.* Screen credits stated "Dastar Corp. Presents" and "an Entertainment Distributing Production" and listed as producers employees of Dastar. *Id.*

Fox and New Line sued Dastar both for infringing the copyright in the original Eisenhower book and for violating Lanham Act § 43(a)(1) by "reverse passing off."[2] *Id.* Plaintiffs alleged that Dastar made a false designation as to the origin of the goods it sold by failing to give credit to Fox and by designating Dastar, not Fox, as the producer of the Dastar "Campaigns" video. *Id.* But the Supreme Court held that there was no violation of Lanham Act § 43(a)(1)(A) because "origin" in that part of the statute denotes only the manufacturer or producer of the physical

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[2] "Passing off" occurs when a producer misrepresents his own goods or services as someone else's. *See Dastar*, 539 U.S. at 28 n.1. "Reverse passing off" occurs when a producer misrepresents someone else's goods or services as his own. *Id.*

goods and not the creator of the intellectual property embodied in those goods:

> In sum, reading the phrase "origin of goods" in the Lanham Act in accordance with the Act's common-law foundations (which were *not* designed to protect originality or creativity), and in light of the copyright and patent laws (which *were*), we conclude that the phrase refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.

Id. at 37. Thus, because Dastar "produced" the tangible copies of the derivative video, it was the "origin" of the physical goods.

Dastar's holding means that § 43(a)(1)(A)'s prohibition on false claims of origin can not be extended to false claims of the creation of inventive or communicative works. *See* J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 27:77.1 (4th ed. 2007). Thus, "reverse passing off" claims brought under § 43(a)(1)(A) cannot be based on allegedly false claims of authorship, invention, or creation. *Id.* But the *Dastar* Court noted that its decision did not preclude all claims under the "false advertising" prong of § 43(a)(1)(B). The Court hypothesized:

> If . . . the producer of a video that substantially copied the Crusade series were, in advertising or promotion, to give purchasers the impression that the video was quite

> different from that series, then one or more of the respondents might have a cause of action – not for reverse passing off under the "confusion . . . as to the origin" provision of § 43(a)(1)(A), but for misrepresentation under the "misrepresents the nature, characteristics [or] qualities" provision of § 43(a)(1)(B).

Dastar, 539 U.S. at 38.

A number of district courts have concluded that *Dastar* bars false advertising claims that are based on the inventorship of a product. For example, in *Monsanto Co. v. Syngenta Seeds, Inc.*, 443 F. Supp. 2d 648, 652 (D. Del. 2006), the District of Delaware rejected a false advertising claim that the court concluded "merely rephrase[d] a reverse passing off claim." In that case, Monsanto had sued Syngenta, claiming that Syngenta had misappropriated Monsanto's patented technology – a "trait" in corn that tolerates herbicides – by using Monsanto's patented technology to develop its own herbicide-tolerant corn seed. *Id.* at 650. Monsanto also brought Lanham Act claims for reverse passing off and false advertising. Relying on *Dastar*, the court rejected Monsanto's reverse passing off claim because, it concluded, the Lanham Act only protects the tangible product sold in the marketplace (i.e., the seed), not the underlying patented trait. *Id.* at 651-52.

The court also rejected Monsanto's false advertising claim. *Id.* at 652. Monsanto had argued that Syngenta falsely advertised that the corn it sold was

developed by Syngenta. The court concluded that Monsanto's false advertising assertions all related to the origin of the at-issue technology (i.e., the inventor) and did not relate to the "'nature, characteristics [or] qualities' of the corn seed." *Id.* at 653. As the court explained, "[a]ll of the [false advertising] statements asserted by Monsanto boil down to Syngenta's alleged passing off Monsanto's . . . trait as its own. Such a claim, however styled, is barred by the language and holding of *Dastar*." *Id.*

Likewise, in *Radolf v. University of Connecticut*, 364 F. Supp. 2d 204 (D. Conn. 2005), the district court considered a researcher's claim that defendants had falsely attributed his data and findings as their own. The plaintiff conceded that *Dastar* foreclosed any claim he had for reverse passing off. But he argued that his claim was a false advertising claim, citing the language in *Dastar* regarding the viability of a false advertising claim "for misrepresentation under the 'misrepresents the nature, characteristics [or] qualities' provision of § 43(a)(1)(B)." *Id.* at 222. The court rejected this "re-conceptualization" of plaintiff's reverse passing off claim:

> [Plaintiff's] effort to shoe-horn his claim into this language from *Dastar* is unavailing. For, at its core, [Plaintiff's] Lanham Act claim remains one in which he asserts that Defendants used research and data that he originated without properly attributing the source of the research and data. In short, [Plaintiff] asserts that Defendants passed off

> his research as their own. And that type of claim, however styled, is barred by the language and holding of *Dastar*.

Id.; *see also Wilchcombe v. Teevee Toons, Inc.*, 2007 WL 294247 at *7 (N.D. Ga. 2007) ("To the extent that plaintiff's false advertising claim is really against defendants for passing off their work as their own and for improper authorship credit, plaintiffs claim is barred by *Dastar*."). These cases give effect to the reasoning underlying the Supreme Court's decision in *Dastar* – that the Lanham Act does not protect inventions or ideas:

> [I]n construing the Lanham Act, we have been careful to caution against misuse or over-extension of trademark and related protections into areas traditionally occupied by patent or copyright. The Lanham Act, we have said, does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity. Federal trademark law has no necessary relation to invention or discovery, but rather, by preventing competitors from copying a source-identifying mark, reduces the customer's costs of shopping and making purchasing decisions, and helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. . . .

Dastar, 539 U.S. at 34. Given the purpose of the Lanham Act as articulated in *Dastar*, the Court

agrees with the *Monsanto* and *Radolf* courts that *Dastar* bars a "false advertising" claim that merely restates a "reverse passing off" claim regarding the authorship or inventorship of a product.

The question here is whether Baden's false advertising claim is really a repackaged "reverse passing off" claim regarding inventorship of Molten's "Dual Cushion Technology." Baden argues that the heart of its claim is that "Molten is advertising its basketballs as having been made using 'Dual Cushion Technology' which is innovative, and exclusive and proprietary to Molten" and that such advertising is false and misleading. (Plf.'s Resp. at 2.) Whether a product is "innovative, exclusive, and proprietary," Baden argues, goes to the "nature, characteristics [or] qualities" of the product. *See* 15 U.S.C. 1125(a)(1)(B). Molten disagrees and argues that the adjectives "innovative, exclusive, and proprietary" all relate to the *inventorship* of the product, and that, therefore, Baden's false advertising claim is indistinguishable from a reverse passing off claim regarding inventorship. The Court's analysis thus turns on the meaning of the words "innovative, exclusive, and proprietary."

Webster's Dictionary defines "exclusive" as "limiting or limited to possession, control, or use by a single individual or group" or as "single, sole." *Webster's Ninth New Collegiate Dictionary* 433 (1986). "Proprietary" is defined as "used, made, or marketed by one having the exclusive legal right." *Id.* at 944. Thus, the words "exclusive" and "proprietary" relate to ownership or control over something; the words

presuppose that someone owns the product or good being described. In the context of this case, Molten uses the words "exclusive" and "proprietary" in its advertising to indicate to consumers that *Molten*, and no one else, owns and offers for sale its dual cushion technology. In contrast, Webster's defines "innovation" as "the introduction of something new" or "a new idea, method, or device;" "innovative" is defined as "characterized by, tending to, or introducing innovations." *Id.* at 624. Thus, whether something is "innovative" does not turn on who owns or offers a product. A product is "innovative" if it is new in comparison to other products; the person or company that owns or offers the product is irrelevant to whether the product itself it is innovative.

Given the different meanings of these words, the Court concludes that Baden's false advertising claim partially survives *Dastar*. Advertising that Molten's product is "exclusive" and "proprietary" to Molten does not relate to the "nature" or "qualities" of Molten's product, but to the fact that Molten invented and owns the basketball technology. As the *Monsanto* court explained, these kinds of false advertising statements "boil down to [Molten's] alleged passing off [Baden's] . . . [technology] as its own. Such a claim, however styled, is barred by the language and holding of *Dastar*." *See Monsanto*, 443 F. Supp. 2d at 653. In contrast, any advertising indicating that Molten's "Dual Cushion Technology" is "innovative" or new relates, not to the inventor of Molten's basketball technology, but to the "nature, characteristics, [or]

qualities" of the basketballs themselves. *Dastar* does not bar a false advertising claim based on Molten's advertising that its product or technology is innovative. The Court thus grants in part and denies in part Molten's motion regarding Baden's false advertising claim.[3]

III. Geographic Misdescriptiveness

In the Court's previous order, the Court relied on two district court cases – *Boshei Enterprises Co., U.S.A. v. Porteous Fastener Co.*, 441 F. Supp. 162 (C.D. Cal. 1977) and *Alto Products Corp. v. Ratek Indus., Ltd.*, 40 U.S.P.Q. 1738 (S.D.N.Y. 1996) – in holding that "the failure to mark the country of origin is actionable under the Lanham Act." The Court concluded that Baden had raised genuine issues of material fact regarding Molten's failure to mark and therefore denied summary judgment on the issue. But the Court singled out a question that the parties had not addressed – "whether Molten itself is liable for any Lanham Act violation relating to geographic misdescriptiveness where it is not the distributor or the U.S. importer of these allegedly unmarked balls." (Dkt. No. 115., p. 7.)

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[3] The parties also argue about whether the testimony of Michael Schindler, CEO of Baden, resolves any factual issues surrounding the allegedly false advertising. Because the Court's analysis is a legal, rather than factual, one, Mr. Schindler's declaration is not helpful to either party's argument.

In this motion, Molten raises two issues related to geographic misdescriptiveness. First, Molten argues that *Alto* does not support Baden's claim. In *Alto*, the Southern District of New York held that "failure to designate country of origin in violation of the Tariff Act violates § 43(a) of the Lanham Act as a matter of law." *Alto*, 40 U.S.P.Q. 1738 at *20. Molten argues that *Alto* is distinguishable because Baden cannot show here that Molten has violated the Tariff Act. This argument directly relates to the Court's previous decision and should have been raised as a motion for reconsideration. Because it is untimely, the Court will not consider this argument here.

But the Court will consider Molten's second argument – that Molten cannot be liable for any Lanham Act violation relating to geographic misdescriptiveness where it is not the distributor or U.S. importer of these unmarked balls. As the Court recognized in its previous order, Molten's European distributor, Fanavenue, purchases the basketballs from Molten before distributing them. Molten argues that any country of origin marking requirement does not reach Molten where its participation in the transaction takes place wholly outside the United States.

Molten relies on a recent Supreme Court case discussing an exception to the general rule that U.S. patent law operates only domestically and does not extend to foreign activities. *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007). *Microsoft* concerned 35 U.S.C. § 271(f), which provides that patent infringement occurs when one "supplies . . . from the United

States," for "combination" abroad, a patented invention's "components." *Microsoft* is not factually on point; it is instructive only to the extent that it confirms the general rule that U.S. patent law does not apply extraterritorially. *See Microsoft*, 127 S. Ct. at 1758.

In *Alto*, the Southern District of New York confronted the same question faced here – whether a foreign company is liable for trademark violations when its product is exported to the United States through a foreign exporter without any country of origin marking. In *Alto*, an Israeli manufacturer sold products that were not marked with the country of origin through a U.S. distributor owned by the Israeli manufacturer. The Court held that the Israeli manufacturer could be held liable for the Lanham Act violation: "when a foreign manufacturer sells unmarked goods abroad to an importer, with knowledge that the importer will resell them in the United States without properly designating the country of origin, the manufacturer may be held liable for any resulting harm." *Alto*, 40 U.S.P.Q. 1738 at *20. In so holding, the court relied on prior Supreme Court precedent, in which the Supreme Court held that:

> liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances. Thus, if a

> manufacturer or distributor . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.

Id. at *19 (quoting *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 853-54 (1982)).

Baden argues that under *Alto*, Molten may be held liable if it knew that its product would be sold in violation of the Lanham Act. Baden points to the deposition of Molten U.S.A. CEO, Kiyoaki Nishihara, in which Mr. Nishihara stated that Molten knew that Fanavenue might sell unmarked basketballs to U.S. consumers. (Nishihara Dep., p. 272-73.)

Baden also cites *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952) and *Reebok Int'l v. Marnatech Enters., Inc.*, 970 F.2d 552 (9th Cir. 1992). In *Steele*, the Supreme Court held that the Lanham Act provides a "broad jurisdictional grant." *See Steele*, 344 U.S. at 286. But that case involved the extraterritorial reach of the Lanham Act where a U.S. citizen manufactured infringing products abroad and then sent them back to the United States. *Steele* is therefore distinguishable. In *Reebok*, the Ninth Circuit held that the district court had jurisdiction to hold a Mexican manufacturer, who was making and selling knock-off Reebok shoes, liable for Lanham Act violations. *Reebok*, 970 F.2d at 554-57. The court applied a three part test to determine whether the Lanham Act would apply extraterritorially: "first, there must be

some effect on American foreign commerce; second, the effect must be sufficiently great to present a cognizable injury to plaintiffs under the federal statute; and third, the interests of and links to American foreign commerce must be sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority." *Reebok*, 970 F.2d at 554. Because the defendant in that case organized and directed the manufacture of the counterfeit shoes from the United States and then sold them in Mexican border towns knowing that the shoes went back to the United States with regular frequency, and because sales of the counterfeit shoes decreased Reebok's legitimate sales in Mexico and the United States, the Court held that the district court had jurisdiction over Reebok's claims against the Mexican defendant. *Id.* at 557. Although *Reebok* makes clear that the Lanham Act may reach the activities of a foreign manufacturer, it does not address the precise question here, where the foreign manufacturer is one step removed from the distribution process.[4]

The Court concludes that Molten's sale of unmarked balls to Fanavenue is outside the jurisdictional reach of the Lanham Act. Even though Baden has presented evidence that Molten anticipated that some balls would reach U.S. consumers, Molten has

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[4] In addition, although Baden has cited *Reebok* in its brief, it has failed to apply the three-part *Reebok* test to the facts of this case. The *Reebok* analysis therefore has limited value to the Court's analysis.

no control over where the balls it sold to Fanavenue are eventually sold. Unlike the foreign manufacturer in *Alto* who sold directly to a U.S. importer, Molten sells to a French distributor who then sells to consumers around the world through its website. Where those balls are eventually sold is wholly dependent on the individual consumers who purchase the balls through the FIBA website. Molten's portion of the transaction ends in France and its connection to the end consumer is tenuous. Molten therefore cannot be held responsible for any Lanham Act violation resulting from the lack of country of origin marking. Molten's motion for summary judgment on this issue is GRANTED.

Conclusion

The Court GRANTS IN PART and DENIES IN PART Defendant Molten's motion for summary judgment. The Supreme Court's decision in *Dastar* bars Baden's Lanham Act claim based on advertising that Molten's basketballs are "exclusive" and "proprietary" to Molten. But *Dastar* does not bar Baden's Lanham Act claim based on Molten's advertising that its basketballs are "innovative." The Court therefore grants in part and denies in part summary judgment to Molten on Baden's false advertising claim. Moreover, Molten is not liable for any failure to mark the country of origin on its basketballs, where Molten sells its basketballs to a French distributor without any country of origin marking, and that French distributor sells to consumers around the globe,

including American consumers, via its website. Thus, the Court grants summary judgment to Molten on Baden's claim for geographic misdescriptiveness.

The clerk is instructed to send copies of this order to all counsel of record.

Dated: July 16, 2007.

/s/ Marsha J. Pechman
Marsha J. Pechman
U.S. District Judge

541 F.Supp.2d 1151

United States District Court,
W.D. Washington,
at Seattle.
BADEN SPORTS, INC., Plaintiff,
v.
Kabushiki Kaisha MOLTEN (DBA Molten Corporation) and Molten U.S.A., Inc., Defendants.
No. C06-210MJP.

Jan. 28, 2008.

Bruce A. Kaser, Vantage Law, Issaquah, WA, James L. Phillips, Aubrey Anne Seffernick, Miller Nash LLP, Seattle, WA, for Plaintiff.

Aaron Wainscoat, Arthur S Beeman, Margaret Elizabeth Day, Nickolas Bohl, Robert Buergi, Stellman Keehnel, DLA Piper U.S. LLP, East Palo Alto, CA, Gi-In An, Edwards Angell Palmer & Dodge LLP, Washington, DC, for Defendants.

MARSHA J. PECHMAN, District Judge.

This matter comes before the Court on Defendants' motion for judgment as a matter of law (Dkt. No. 359) and motion for a new trial (Dkt. No. 358). Plaintiff opposes both motions. (Dkt. Nos. 372 & 373.) Having considered the motions and responses, Defendants' replies (Dkt. Nos. 375 & 374), all documents submitted in support thereof and the record herein, and having heard oral argument on the motions, the Court DENIES both motions.

Background

Defendants Kabushiki Kaisha Molten and Molten U.S.A. (hereinafter "Molten") and Plaintiff Baden Sports are competitors in the sports ball business. In the 1990's, Baden developed and patented a new game-quality basketball that is "cushioned" or "padded." (Third Amended Complaint [hereinafter Compl.] ¶ 10.) Believing that Molten had started selling "dual cushion technology" basketballs in the United States that infringed on Baden's patent, Baden sued Molten for patent infringement. Baden also sued Molten for violations of the Lanham Act, 15 U.S.C. § 1125, alleging that Molten falsely advertised its infringing basketball as an "innovative technology that is proprietary to Molten" and imported its balls into the United States without marking the country of origin. (Compl.¶ 46). As the litigation progressed, Molten changed the design of its "dual cushion technology" basketball that it sold in the United States.

This case was tried before a jury between August 6 and August 14, 2007. Before trial began, the Court granted summary judgment in favor of Defendants on Plaintiff's country of origin claim and granted summary judgment in favor of Plaintiff on Plaintiff's claim that Defendants' "old" basketballs infringed its '835 patent. (Dkt. Nos. 233 & 236.) The Court also limited Baden's Lanham Act claim by ruling that Baden could only bring such a claim on Molten's advertising that its basketballs were "innovative" and not on Molten's advertising that its basketballs were "exclusive" or "proprietary." (Dkt. No. 233.)

The Court made several important discovery rulings before and during trial that affected Molten's ability to present its defense. Before trial, the Court granted Baden's motion to exclude all Molten Corporation witnesses, including Hidesuki Kiriki, who had planned to testify regarding the construction of the "new" Molten basketball and Molten's JP '253 patent, on which the "new" design is based. (Dkt. No. 235.) The Court excluded Mr. Kiriki and all other Molten Corp. witnesses because Molten inexcusably delayed disclosing its intention to call Mr. Kiriki until after discovery had closed and because Molten's counsel had informed Baden that no Molten Corp. witnesses would testify at trial. (*Id.*) The Court also excluded Craig Barker, who had planned to testify regarding the obviousness of Baden's '835 patent, because Molten did not identify Mr. Barker as a witness until three months after the close of discovery. (Dkt. No. 283; Tr. 698-702.) During trial, the Court granted Baden's motion to exclude English translations of Molten's Japanese prior art patents because Molten did not disclose, until after trial had already commenced, the translator of those documents and because Molten did not offer a witness to lay the foundation for the accuracy of the translations. (Tr. 985-88.) Molten therefore had no evidence to present to the jury on the issue of invalidity and the Court directed a verdict in favor of Plaintiff on Defendants' claim that Plaintiff's patent was invalid. (Tr. 993.) Molten's dilatoriness in identifying witnesses and preparing for trial thus resulted in key witnesses and

evidence being excluded, and a directed verdict on the issue of invalidity in favor of Baden.

Several questions were presented to the jury: (1) whether Baden had proved that Molten had falsely advertised its product as "innovative"; (2) whether any such false advertising was intentional; (3) whether Baden had proved that Molten had continued to offer for sale in the United States its infringing basketball; and (4) whether Molten's patent infringement was willful. (Dkt. No. 313.) The jury was also asked to decide what amount to award as damages for the Lanham Act violation and/or a reasonable royalty for the Patent Act violation. (*Id.*) On August 16, the jury rendered a verdict in favor of Plaintiff on all claims, concluding that Molten had intentionally falsely advertised, continued to offer for sale infringing basketballs, and willfully infringed Baden's '835 patent. The jury awarded Baden $38,031.00 as a reasonable royalty for patent infringement and $8,054,579.00 as damages for Molten's intentional false advertising. (Dkt. No. 321.)

After trial, the Court granted in part Baden's motion for a final judgment and permanent injunction. The Court enjoined Molten from false advertising within the United States and false advertising directed at United States consumers. (Dkt. No. 348.) The Court granted Baden's motion for prejudgment interest, but denied Baden's motion for enhanced patent damages and attorneys' fees. (*Id.*)

After trial, Molten retained new counsel and terminated all but one of its trial attorneys. With its new counsel, Molten now moves for judgment as a matter of law and for a new trial.

Discussion

I. Motion for Judgment as a Matter of Law

Molten moves for judgment as a matter of law ("JMOL") under Federal Rule 50(b). The parties dispute whether Molten properly preserved all of the issues it raises in its motion and whether the jury's verdict is supported by substantial evidence.

A. Preservation of Issues for Federal Rule 50(b) Motion

Federal Rule 50 provides in relevant part:

> **(a) Judgment as a Matter of Law**
>
> (1) In General. If a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue, the court may:
>
> (A) resolve the issue against the party; and
>
> (B) grant a motion for judgment as a matter of law against the party on a claim or defense that, under the controlling law, can be maintained or defeated only with a favorable finding on that issue.

(2) Motion. A motion for judgment as a matter of law may be made at any time before the case is submitted to the jury. The motion must specify the judgment sought and the law and facts that entitle the movant to the judgment.

(b) **Renewing the Motion After Trial; Alternative Motion for a New Trial.** If the court does not grant a motion for judgment as a matter of law made under Rule 50(a), the court is considered to have submitted the action to the jury subject to the court's later deciding the legal questions raised by the motion. No later than 10 days after the entry of judgment – or if the motion addresses a jury issue not decided by a verdict, no later than 10 days after the jury was discharged – the movant may file a renewed motion for judgment as a matter of law and may include an alternative or joint request for a new trial under Rule 59. In ruling on the renewed motion, the court may:

(1) allow judgment on the verdict, if the jury returned a verdict;

(2) order a new trial; or

(3) direct the entry of judgment as a matter of law.

Fed.R.Civ.P. 50(a), (b).[1] Rule 50 therefore prescribes a two-step process for preserving challenges to the sufficiency of the evidence supporting a verdict: first, a party must file a pre-verdict motion under Rule 50(a) (also known as a "directed verdict" motion); second, the party must file a post-verdict motion for judgment as a matter of law. *See Nitco Holding Corp. v. Boujikian,* 491 F.3d 1086, 1089 (9th Cir.2007). "Rule 50(b) restricts the grounds that may be asserted in post-verdict motions to those asserted in pre-verdict motions." *See* 9 James Wm. Moore, *Moore's Federal Practice – Civil* § 50.05[5][b][i] (2007). Thus, a Rule 50(a) motion is a prerequisite to a Rule 50(b) motion; to move for judgment as a matter of law on a particular issue, the movant must have previously raised that specific issue in the pre-verdict motion. *Id.*; *see also Gilchrist v. Jim Slemons Imports, Inc.,* 803 F.2d 1488, 1493 (9th Cir.1986).

The chronology of the parties' Rule 50(a) motions is as follows:

> (1) After Plaintiff's opening statement, Molten moved "under Rule 50 based on the opening statement." (Tr. 192.) Molten argued that Baden's false advertising claim – that Molten falsely advertised that its basketball was "innovative" – was really a "reverse

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[1] The Court refers to the Federal Rules of Civil Procedure as amended in 2007. The 2007 amendments to the language of Rule 50, effective Dec. 1, 2007, are intended to by stylistic only. Fed.R.Civ.P. 50 advisory committee's note 2007 Amendments.

passing off" claim relating to the inventorship of Molten's "dual cushion technology," a claim barred under the Court's summary judgment order and the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 123 S.Ct. 2041, 156 L.Ed.2d 18 (2003). (*Id.*) The Court denied the motion, stating that it is "rare" that this kind of motion should be granted, and that as long as the facts presented in the opening statement could support Plaintiff's claim, the motion should be denied. (Tr. 198.)

(2) After the parties presented all their evidence, the Court invited motions for directed verdict. (Tr. 990.) Baden moved on two issues – whether Baden's patent was invalid and whether Molten continued to offer to sell infringing dual cushion technology basketballs even after it changed its basketball design.

(3) Before the Court could rule on Baden's motion, Molten made the following motion:

> We would like to move for directed verdict on that *same issue* as well [sic] on different grounds, which is lack of proof or any evidence of any damage resulting from the alleged offers to sell that came after the sales of the actual product were halted.

(Tr. 993.) By "same issue," Molten meant the *same issue* that Baden had just raised, i.e. whether Baden had proved that Molten violated the Patent Act by

continuing to "offer to sell" infringing basketballs. The Court granted Baden's motion on the invalidity claim, denied Baden's motion on the offer to sell issue, and then invited Molten to make its motion again. Molten's counsel responded:

> In light of Your Honor's ruling on the second part, the offer to sell part of their motion, I will not pursue the *other motion.*

(Tr. 995.) Thus, Molten withdrew its motion on the lack of proof of damage resulting from the alleged offers to sell. Molten made no other directed verdict motions.

Based on its review of the transcript and applicable case law, the Court concludes that Molten preserved two issues for a Rule 50(b) motion: (1) whether Baden's false advertising claim under the Lanham Act can proceed under the Supreme Court's decision in *Dastar*; and (2) whether Baden offered sufficient evidence to prove that Molten continued to offer its infringing basketballs for sale even after it changed to a non-infringing design. Baden argues that Molten waived the first issue by raising it at the close of opening arguments rather than waiting until Baden presented its evidence. (Baden does not challenge that Molten preserved the second issue.) In *McSherry v. City of Long Beach,* 423 F.3d 1015 (9th Cir.2005), the Ninth Circuit held that a district court erred when it granted a Rule 50 motion before trial started. But in a footnote, the court explicitly stated that its holding does not encompass a judgment as a matter

of law granted after opening statements. *Id.* at 1021 n. 3. And the opinion indicates that a district court could treat a motion made at the close of opening statements as a proper Rule 50(a) motion because "the allegations of the pleadings, the evidence before the court, and the promises of evidence recited in [the] opening statement can be insufficient as a matter of law to warrant any relief. . . ." *Id.* (internal quotation marks omitted); *see also* 9 *Moore's Federal Practice – Civil* § 50.20[2][b] ("Judgment as a matter of law may be granting following an opponent's opening statement if that opening statement embraces all operative facts expected to be proven at trial and those facts are insufficient to sustain a claim for relief under any legal theory."). Acknowledging a Rule 50(a) motion made at the close of opening statements makes sense in light of the purpose of the two-tiered Rule 50 motion process: the earlier motion puts the non-movant on notice that the movant believes the non-movant's evidence is insufficient to support its claim. *See McSherry*, 423 F.3d at 1020 (noting that one of the major purposes of Rule 50(a) is to give the non-moving party notice of and an opportunity to cure any deficiency in that party's proof); *see also Summers v. Delta Air Lines, Inc.*, 508 F.3d 923, 930 (9th Cir.2007). The Court concludes that Molten's motion, made at the close of opening statements, was sufficient to put Baden on notice of deficiencies in its proof and properly preserved the *Dastar* issue for consideration in a Rule 50(b) motion.

Molten, however, seeks to challenge more than just the false advertising and offer to sell issues. Molten seeks judgment as a matter of law on additional issues, arguing as follows:

1) Molten's advertisement of dual cushion technology basketballs as "innovative" constitutes non-actionable puffery as a matter of law;

2) The evidence does not support a finding that Molten's description of dual cushion technology basketballs as innovative actually deceived consumers, was material or caused Baden injury;

3) The jury's damages award, in excess of $8 million, is not supported by the evidence and is erroneous as a matter of law; and

4) The jury's verdict that Molten's infringement was "willful" is not supported by the evidence and is erroneous as a matter of law.

These issues are not properly considered under Rule 50(b) because Molten did not preserve them in any Rule 50(a) motion. *See Gilchrist,* 803 F.2d at 1493. Molten argues that even if it waived these issues under Rule 50(a), the Court may review the sufficiency of the evidence and grant judgment as a matter of law where there is plain error apparent on the face of the record such that the failure to review the sufficiency of the evidence would result in a manifest miscarriage of justice. But Molten has failed to cite any legal authority suggesting that a *district court* may conduct this "plain error" review. Molten

cites to a 1987 Ninth Circuit case in which the Ninth Circuit stated that it could review the sufficiency of evidence despite a failure to move for a directed verdict at the close of evidence where there is plain error apparent on the face of the record. *Herrington v. County of Sonoma,* 834 F.2d 1488, 1500 n. 11 (9th Cir.1987). *Herrington* was recently overruled in *Nitco,* 491 F.3d at 1090. In *Nitco*, the Ninth Circuit ruled that a recent Supreme Court opinion – *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.,* 546 U.S. 394, 126 S.Ct. 980, 163 L.Ed.2d 974 (2006) – precludes plain error appellate review when a party fails to file a proper Rule 50(b) motion. The Court overruled its prior decisions that had suggested otherwise: "To the extent that our prior decisions permitted a discretionary plain error review, we must overrule those decisions as in conflict with controlling Supreme Court authority." *Nitco,* 491 F.3d at 1090. Thus, *Nitco* overrules *Herrington* and makes clear that appellate courts may not conduct plain error review where a party procedurally defaults a civil appeal by not following the Rule 50 process. Molten has not cited and the Court is not aware of any authority for the proposition that, despite *Nitco* and *Unitherm,* the district court may conduct plain error review where a party has failed to preserve an issue for its Rule 50(b) motion. The Court declines to conduct any plain error review of those issues that Molten failed to preserve for a Rule 50(b) motion through a Rule 50(a) motion.[2]

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[2] Even if the Court were to conduct such a review, the Court would conclude that there is no plain error on the face of the record warranting judgment as a matter of law.

Molten also suggests that the Court may review its puffery argument now because, even though Molten did not explicitly raise the issue during trial, "the Court may consider Molten's objection as such." (Def's Reply on JMOL Mot. at 3.) The Ninth Circuit has said that where "an ambiguous or inartful request or motion is made at the close of evidence which sufficiently approximates a motion for a directed verdict," the Court may construe that request as a Rule 50(a) motion. *See Herrington,* 834 F.2d at 1500. But Molten does not even suggest which "inartful" request should be construed as a directed verdict motion regarding puffery. And the transcript reveals that no such Rule 50(a) motion was ever made. *See infra* (discussion regarding motions made on record). Molten did not preserve the puffery issue for its Rule 50(b) motion.

The Court notes that Molten missed earlier opportunities during this litigation to raise the puffery issue. Molten first argued that its use of the word "innovative" was mere puffery (and therefore not actionable under the Lanham Act) in its reply brief to its motion to dismiss, filed in October 2006. (*See* Dkt. No. 57.) The Court rejected the argument specifically because Molten had raised it for the first time in a reply brief. (*See* Dkt. No. 115, Order at 8.) Because Baden had not had a chance to respond, the Court stated that it would "not consider at this stage whether Molten's assertions that it has developed an 'innovative' and 'proprietary' design is mere puffery." (*Id.*) Molten subsequently filed several

other dispositive motions, but never raised the puffery issue in those motions. The only other time Molten raised the issue of puffery was in connection with the proposed preliminary jury instructions. But as Molten admits in it[s] briefing, whether a statement that Molten's "dual cushion technology" basketballs are "innovative" is mere puffery "is a question that can and should be determined by the Court as a matter of law." (Defs' Mot. for JMOL at 3.) The Court rejected Molten's jury instruction on puffery for precisely that reason – because the question is not a fact question to be decided by the jury. Because Molten failed to properly raise this legal issue, it is now waived.

In conclusion, the Court concludes that Molten preserved only two issues for consideration in its Rule 50(b) motion: (1) whether Baden's false advertising claim under the Lanham Act can proceed under the Supreme Court's decision in *Dastar*; and (2) whether Baden offered sufficient evidence to prove that Molten continued to offer its infringing basketballs for sale even after it changed to a non-infringing design.

B. Substantive Standard for Federal Rule 50(b) Motion

The parties do not dispute the standard for evaluating a motion for judgment as a matter of law: a motion for judgment as a matter of law may be granted only if there is an absence of substantial evidence to support the verdict. *Wallace v. City of San*

Diego, 479 F.3d 616, 624 (9th Cir.2007). "Substantial evidence is evidence adequate to support the jury's conclusion, even if it is also possible to draw a contrary conclusion from the same evidence." *Id.* (quoting *Johnson v. Paradise Valley Unified Sch. Dist.,* 251 F.3d 1222, 1227 (9th Cir.2001)). "In making this determination, the court must not weigh the evidence, but should simply ask whether the plaintiff has presented sufficient evidence to support the jury's conclusion." *Id.* Although the court must review the entire evidentiary record, it should disregard all evidence favorable to the moving party that the jury is not required to believe. *Id.* The court must view all the evidence in the light most favorable to the nonmoving party, and draw all reasonable inferences in favor of that party. *Id.* "Judgment as a matter of law may be granted only where, so viewed, the evidence permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict." *Id.*

C. *Dastar* Issue

Molten argues that Baden's false advertising claim as presented to the jury should be vacated because the claim is barred by the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.,* 539 U.S. 23, 123 S.Ct. 2041, 156 L.Ed.2d 18 (2003). *Dastar* held that a false advertising claim under § 43 of the Lanham Act cannot be based on inventorship or ownership of a product. *Dastar,* 539 U.S. at 37, 123 S.Ct. 2041. In its order granting in part and denying in part Molten's motion for

summary judgment on Baden's Lanham Act claims, the Court concluded that *Dastar* does not bar Plaintiff's false advertising claim based on Molten's advertising that its product or technology is "innovative" because "whether something is 'innovative' does not turn on who owns or offers a product." (Dkt. No. 233, Order at 8.) "[A]ny advertising indicating that Molten's 'Dual Cushion Technology' is 'innovative' or new relates, not to the inventor of Molten's basketball technology, but to the 'nature, characteristics, [or] qualities' of the basketballs themselves." (*Id.*) Molten argues that despite the Court's ruling, Baden presented evidence at trial that confirms that its Lanham Act claim is merely an inventorship claim, i.e., a claim that Molten falsely advertised its dual cushion technology as its own, rather than Baden's, invention.

The Court instructed the jury regarding Baden's Lanham Act claim in a series of instructions. In its "Unfair Competition" instruction, the Court explained that "Baden Sports claims Molten Corp. and Molten USA advertised their 'dual cushion' basketballs as a Molten innovation and they were not." (Dkt. No. 312, Final Jury Instruction No. 15.) The Court also instructed that to prevail on their false advertising claim, Baden must prove that "in advertisements, defendants made false statements of fact about their own product. . . ." (*Id.*, Final Jury Instruction No. 16.)

Several witnesses testified that Molten falsely advertised its "dual cushion technology" as a Molten innovation. Although some of that testimony indicates that the witnesses believed that Molten's

advertising was false because *Baden* actually created the patented design, not Molten, (*see* Schindler testimony, Tr. 228:24) other testimony makes clear that the witnesses believed the advertising to be false because Molten's product was not "new." (*See* Schindler testimony, Tr. 229:4-7; Holm testimony, Tr. 317:15-16; Yalch testimony, Tr. 349: 17-22, 470:1-6.) The fact that witnesses used Baden's prior design as evidence to show that Molten's product was not innovative or new does not mean that Baden was actually basing its false advertising claim on an allegation that "Molten didn't make it, we did." The Court concludes that Baden's false advertising claim, as presented to the jury, does not run afoul of *Dastar*.

D. Offer for Sale

Molten also argues that Baden did not offer sufficient evidence to prove that Molten continued to offer its infringing basketballs for sale even after it changed to a non-infringing design. Although Molten contended that it changed its basketball design (in the United States) in June 2006 and stopped selling basketballs in the United States with the infringing "dual cushion technology" in January 2007, Baden alleged that Molten continued to offer these infringing balls for sale in the United States after January 2007. (Dkt. No. 312, Final Jury Instructions No. 24.) The Court instructed the jury that in order to find that either defendant infringed Baden's patent by making an offer to sell a ball with "dual cushion technology," the jury must find that Baden proved:

(1) that the defendant made an offer which showed a willingness to enter into a bargain, so that the buyer would understand that his agreement to the bargain is invited and will conclude it;

(2) that the offer contemplates a sale to be concluded in the United States.

(*Id.*) Baden presented evidence showing (and Molten admits in its briefing) that Molten USA's website contained advertisements for "dual cushion technology" basketballs after January 2007. (Tr. 623:22-624:14, 669-72; Defs' Mot. for JMOL at 10.) Consumers could order those basketballs directly from the Molten USA website.[3] This evidence is sufficient to support the jury's conclusion that Molten continued to offer for sale infringing "dual cushion technology" basketballs after January 2007.[4]

II. Motion for New Trial

Molten moves for a new trial under Federal Rule 59(a). Federal Rule 59(a) provides:

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[3] Molten USA CEO Kiyoaki Nishihara testified that basketballs were actually sold through the Molten USA website. (Tr. 624:13-14.)

[4] Because the Court concludes that the evidence of offers to sell made through the Molten USA website is sufficient to support the jury's verdict on this issue, the Court need not consider the parties' dispute regarding whether advertising on Molten *Corp.'s* website constituted an offer to sell or whether Molten induced third parties to make such offers.

The court may, on motion, grant a new trial on all or some of the issues – and to any party – as follows:

> (A) after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court. . . .

Fed.R.Civ.P. 59(a). "Since specific grounds for a motion to amend or alter are not listed in the rule, the district court enjoys considerable discretion in granting or denying the motion." *Jorgensen v. Cassiday*, 320 F.3d 906, 918 (9th Cir.2003). A motion for a new trial will be granted where the jury instructions are erroneous or inadequate, the court made incorrect and prejudicial evidentiary rulings, the verdict is against the great weight of the evidence, or the damages are excessive. 11 Wright, Miller, Kane, *Federal Practice & Procedure* § 2805 (2d ed.1995). Baden incorrectly argues that Molten cannot raise any "sufficiency of the evidence" issues that it did not preserve through a Rule 50(a) motion. The Ninth Circuit recently stated that "a motion for a new trial does not have to be preceded by a Rule 50(a) motion prior to submission of the case to the jury." *Freund v. Nycomed Amersham*, 347 F.3d 752, 765 (9th Cir.2003) (holding that motion for new trial on grounds of insufficiency of evidence of malice did not need to be preceded by a Rule 50(a)-type motion at the close of the evidence); *see also* 9B Wright & Miller, *Federal Practice & Procedure* § 2531 (3d ed. 2008) ("The failure to seek a judgment as a matter of law at the close of all the evidence does not procedurally bar a motion for a new trial, but it does bar a renewed

motion for judgment as a matter of law.").[5] Thus, Molten has not waived any of the arguments presented in its Rule 59 motion by not raising them in a Rule 50(a) motion.

Molten makes the following arguments as grounds for a new trial:

1) The jury's verdict on Baden's false advertising claim is contrary to the clear weight of the evidence, and was a result of legal error as the jury was not properly instructed on all necessary legal issues;

2) The jury's damage award for the Lanham Act is contrary to the clear weight of the evidence, resulted from legal error, and is grossly excessive;

3) The jury's verdict that Molten Corp. and Molten U.S.A. continued to offer for sale infringing basketballs in the United States is contrary to the clear weight of the evidence;

4) The jury's verdict that Molten's infringement of the '835 patent was willful is contrary to the clear weight of the evidence, and was the result of legal error in light of *In Re Seagate*;

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[5] The Court acknowledges that some of the Ninth Circuit's case law suggests that a motion for new trial challenging the sufficiency of the evidence does need to be preceded by a Rule 50(a) motion. *See e.g., Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020 (9th Cir.2003). The Court is bound to follow *Freund* because it is the most recent and most directly applicable holding on the subject.

5) The jury's damages award for the Patent Act claim is excessive due to the absence of marking and is contrary to the clear weight of the evidence.

Molten seeks a new trial on all of these issues, or alternatively, remittitur on the damages awards.

A. Lanham Act claim

Molten argues that the jury's verdict and damages award on Baden's Lanham Act claim is contrary to the clear weight of the evidence, based on errors of law, and excessive.

1. The Court's Lanham Act Jury Instructions Were Appropriate

The Court instructed the jury that to prevail on its false advertising cause of action, Plaintiff needed to prove each of the following elements:

(1) in advertisements, defendants made false statements of fact about their own product;

(2) those advertisements actually deceived or have the tendency to deceive a substantial segment of their audience;

(3) such deception is material, in that it is likely to influence the purchasing decision;

(4) defendants caused the falsely advertised goods to enter United States interstate commerce; and

(5) plaintiff has been or is likely to be injured as the result of the foregoing either by direct diversion of sales from itself to defendants or by lessening of the goodwill which its products enjoy with the buying public.

(Dkt. No. 312, Final Jury Instruction No. 16.)

First, Molten argues that the Court's false advertising instruction was erroneous because it omitted an instruction that puffery cannot support a Lanham Act violation. This issue has not been preserved. Molten objected to the Court's decision not to give a puffery instruction when it took its exceptions to the *preliminary* set of jury instructions. (Tr. 24:10-18.) But as the Court instructed the jury, it is the *final* set of jury instructions that controls. (Dkt. No. 312, Final Jury Instructions No. 1.) Molten did not object to the omission of a puffery instruction in the final set of instructions. (Tr. 1002-1005.) Indeed, Molten itself recognized that it needed to make any such objection during the final instruction process – Molten's counsel stated, after taking exception to the omission of a puffery instruction in the preliminary set: "We think that this is probably a matter, though, that we should reserve for the final instructions." (Tr. 24:16-18.) By not taking exception to the final set of instructions on this issue, Molten waived the issue. And even if Molten had properly preserved the issue for consideration on a motion for new trial, the Court did not err by not giving the puffery instruction Molten had proposed. That instruction asked the jury to decide whether Defendants' use of the word "innovative" was

mere puffery. (Dkt No. 284, Defs' Proposed Jury Instruction No. 42.) As explained above, whether a statement is puffery is a question of law, not a fact question for the jury.

Second, Molten argues that the Court erred by not giving an instruction that explained that evidence of patent infringement is not evidence of false advertising. But the jury instructions made clear that the patent and false advertising claims were separate and distinct issues. The Court instructed the jury regarding this issue as follows:

> You are instructed that in this case, Baden's claims for patent infringement and for unfair competition are separate and independent. This means that the issue of whether Molten infringed Baden's patent is a separate and different issue than the issue of whether it falsely advertised its "dual cushion" basketballs as innovative.

(Dkt. No. 312, Final Jury Inst. No. 20.) Moreover, as the Court explained in an exchange with counsel over this issue, both the verdict form and the instruction on the elements of the false advertising claim also reinforced that whether Molten falsely advertised is a separate and distinct issue from whether it infringed Baden's patent. The Court did not err by not giving a redundant instruction on this issue.

2. The Jury's Verdict is Not Contrary to the Clear Weight of the Evidence

Molten argues that Baden did not prove that 1) Molten's advertising deceived consumers, 2) Molten's advertising influenced consumer purchases, or 3) Molten's advertising caused injury.[6]

In terms of the deception element, Baden needed to prove that Defendants' false advertising actually deceived or has the tendency to deceive a substantial segment of their audience. *Rice v. Fox Broad. Co.*, 330 F.3d 1170, 1180 (9th Cir.2003). Baden CEO Michael Schindler testified that Molten's advertising that dual-cushion technology is a Molten innovation would "absolutely" deceive a substantial part of Baden's consumers. (Tr. 233-34.) Molten points to no testimony contradicting Mr. Schindler's testimony.

Baden also proved that this deception was material, in that it was likely to influence consumers' purchasing decisions. *See Rice,* 330 F.3d at 1180. Richard Yalch, professor of marketing at the University of Washington School of Business, testified that Molten's description of its "dual cushion technology" as an innovative new feature providing various benefits would be important to consumers choosing among

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[6] The Court notes that Molten did not take exception to the Court's final instruction regarding the elements of a false advertising claim. (*See* Tr. 1002-05.) To the extent that Molten's current argument involves rehashing the elements of a false advertising claim, its argument is waived.

basketballs and would likely influence consumers' purchasing decisions. (Tr. 365-67.) The Court overruled Molten's objections that this testimony was speculative. (Tr. 366-67.) Mr. Schindler also testified that, based on his assessment of the influence of Baden's own advertising, he believed that Molten's advertising that "dual cushion technology" is a Molten innovation would influence Baden's customers to purchase Molten basketballs. (Tr. 234:9-17.) Molten argues that this testimony was speculative and that the record is devoid of direct evidence of consumer deception, but Molten has pointed to no evidence or testimony in the record that contradicts the testimony of these two witnesses. The clear weight of the evidence in the record favors Baden on the issue of materiality.

Finally, Baden offered evidence showing that Baden "has been or is likely to be injured as the result of the foregoing either by direct diversion of sales from itself to defendant, or by lessening of the goodwill which its products enjoy with the buying public." *See Rice,* 330 F.3d at 1180; *see also Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1146 (9th Cir.1997) (calling into question statement in earlier Ninth Circuit opinion that actual evidence of injury resulting from deception was necessary and holding that showing of actual consumer confusion was unnecessary because defendant's intentionally false advertising entitled plaintiff to a presumption of causation). Mr. Schindler and Baden senior sales manager Matthew Holm testified that Molten's false

advertising caused Baden's goodwill to be damaged. (Tr. 235-36, 316-17.) Although Molten argues that no specific or quantifiable examples of harm or consumer confusion in the marketplace was provided for the jury to consider, such evidence is not necessary, and Molten has pointed to no evidence or testimony in the record contradicting Messrs. Schindler and Holm's testimony.

Thus, the clear weight of the evidence – indeed, the only evidence pointed to by the parties – supports the jury's verdict on the false advertising claim.

3. Damages Award

Molten argues that the jury's $8 million damages award is grossly excessive and against the clear weight of the evidence. The Court instructed the jury that if Plaintiff proved the elements of its false advertising claim, including that such advertising was intentional, Plaintiff was entitled to the profits Molten earned as a result of the false advertising. (Dkt. No. 312, Final Jury Inst. No. 17.) The Court also instructed the jury that it was Defendants' burden to prove what portion of its profits were attributable to factors other than the use of false advertising. (*Id.*) Professor Yalch testified that Molten's profits from the false advertising could be measured by the amount Molten paid for its recent sponsorship agreements with FIBA and USA Basketball. (Tr. 371-72.) Pursuant to these sponsorship agreements, FIBA advertised and promoted Molten's

"innovative" "dual-cushion technology." (*See* Tr. 359-62, 368.) Professor Yalch also testified that Molten's sales in the United States were flat until 2004, but then took off after Molten changed the exterior design of the ball and FIBA began promoting the ball. (Tr. 470.) Professor Yalch testified that the amount Molten paid for these agreements was a good estimate of the value of the agreements and therefore the value of the advertising provided by the agreements. (Tr. 368-72.) Professor Yalch testified that Molten paid $3.5 million for one FIBA sponsorship agreement, $18 million for another, and $100,000 for the USA Basketball agreement. (Tr. 371.) Scott Hampton, a certified public accountant whose area of expertise is in valuation of intellectual property, calculated the net present value of the FIBA agreements to be $2,114,091 (for the December 2002 agreement) and $5,940,488 (for the December 2006 agreement). (Tr. 503.) The sum of those two figures is the amount awarded by the jury for Lanham Act damages – $8,054,579. Mr. Hampton also calculated Molten's profits on sales of basketballs in the United States from 2002 through January 1, 2007, to be $65,990. (*Id.*)

Molten presents several arguments regarding why the $8 million figure does not accurately reflect damages sustained by Baden as a result of Molten's intentional false advertising. But Molten was able to make these argument to the jury, and to present evidence showing that Baden's damages were, in fact, much less. The Ninth Circuit has stated that the amount a defendant spends on advertising may

provide a good estimate of the financial benefit it obtains from that advertising. *U-Haul Int'l, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1042 (9th Cir.1986). Molten has pointed to no evidence in the record contradicting Professor Yalch's testimony or proving that the damages amount should actually be much less. The Court acknowledges that Krista Holt, Defendants' damages expert, testified that she believed Professor Yalch's calculation of Lanham Act damages to be inaccurate. (Tr. 881-84, 886.) She also testified that because the FIBA agreements cover advertising and sponsorship for hundreds of countries, only a small percentage of the $8 million paid to FIBA could approximate United States profits. (Tr. 888-89.) Ms. Holt estimated false advertising damages to be around $37,000. (Tr. 902-03.) But Ms. Holt's testimony alone does override or undermine the testimony of Professor Yalch and Scott Hampton. The jury's verdict on Lanham Act damages is not against the clear weight of the evidence.

B. Patent Claim

Molten argues that the Court should grant a new trial on Baden's Patent Act claim because (1) the jury's verdict that Molten continued to offer to sell "dual cushion technology" basketballs in the United States is against the clear weight of the evidence, (2) the jury's verdict that Molten's infringement was "willful" is against the weight of the evidence and based on an erroneous statement of the law, (3) and

the jury's damages award is excessive and against the clear weight of the evidence.

1. Molten Continued to Offer for Sale Infringing Basketballs

For the same reasons stated above in respect to Molten's motion for judgment as a matter of law, the Court will not grant a new trial on the issue of whether Molten continued to offer for sale infringing basketballs. Baden's evidence showing that Molten USA's website contained advertisements for "dual cushion technology" basketballs after January 2007 and that consumers could order those basketballs directly from the Molten USA website is sufficient to support the jury's conclusion that Molten continued to offer for sale infringing "dual cushion technology" basketballs after January 2007.

2. Willfulness

Molten argues that the jury's finding of willful infringement is against the clear weight of the evidence and based on an error of law.[7] This issue is

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[7] On August 20, 2007, four days after the jury rendered its verdict and found that Molten had willfully infringed Baden's patent, the Federal Circuit overruled its previous definition of willful infringement and held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness." *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed.Cir.2007).

moot. "Willfulness" is a factor that the Court considers in determining whether enhanced damages and attorneys' fees are warranted. The Court has already decided *not* to award Baden enhanced damages or attorneys' fees. (Dkt. No. 348.) Because the jury's willfulness finding has no effect on this litigation, the issue is moot and the motion for a new trial on the issue of willfulness is denied.

3. Damages

The jury awarded $38,031 in patent damages. The jury appears to have calculated that award by multiplying a 15% royalty rate by a royalty base of $80,491, representing sales of the "old" dual cushion technology basketball in the United States from 2002 through 2007, and $173,052, representing sales of the "new" basketballs in the United States from August 2006 through January 2007. (*See* Tr. 1036-37.) Molten argues that the jury's damages award is improper because its calculation included sales of "dual cushion technology" basketballs made prior to the date on which Baden is legally entitled to collect damages and included sales of non-infringing basketballs.

The Court will not disturb the jury's inclusion of the sales of "new" non-infringing balls from August 2006 through January 2007 because those balls were sold during the time Molten was still offering for sale its infringing ball even though it was delivering a non-infringing ball.

Molten argues that the jury's patent damages award improperly includes sales made prior to the date on which Baden is legally entitled to collect damages. Patent Act damages are proper only after a defendant had actual or constructive notice of the patent. *See* 35 U.S.C. § 287(a) (1994); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed.Cir.1996). In its instructions to the jury on patent damages, the Court did not instruct the jury that Baden is not entitled to damages pertaining to sales before it either began marking its products or notified Molten of the infringement. (*See* Dkt. No. 312, Final Jury Inst. Nos. 27-28; Tr. 1005.) But the Court did not instruct the jury on this notice requirement, because *Molten failed to timely raise the issue with the Court.* On August 9, the Court instructed the parties that they were to confer regarding final jury instructions and file their proposed final instructions no later than 8:00 a.m. on Monday, August 13, 2007. (Tr. 707.) On August 13, at 7:43 a.m., Molten filed its proposed amendments to the preliminary instructions. (Dkt. No. 304.) These proposed amendments did *not* include an instruction regarding the need for actual or constructive notice of infringement. (*Id.*) However, at 4:43 p.m. on August 13, Molten filed supplemental proposed instructions that included a proposed instruction that stated that any royalties awarded commence on the date Molten was notified of its infringement. (Dkt. No. 306.) On August 14, the Court and counsel discussed the final set of jury instructions and the Court decided not to include Defendants' late-proposed notice instruction.

(*See* Tr. 1002-05.) Molten took exception to the Court's refusal to give this instruction. (Tr. 1005.)

The Court will not alter the jury's damages award based on an issue that Molten should have raised earlier. The Court instructed Molten to file its proposed final instructions by a certain time to give opposing counsel time to prepare a response and to give the Court time to consider, research, and rule upon the proposed instructions. Molten failed to timely present its proposed final instructions. Because Molten waived this issue by not raising it in a timely fashion with the Court, the Court will not reduce the jury's patent damages award.

C. Evidence of Invalidity

Finally, Molten takes issue with two of the Court's evidentiary rulings – the Court's exclusion of the Japanese prior art references and exclusion of Molten's witness Craig Barker, who intended to testify regarding the obviousness of Baden's patent. Molten has offered no legal authority for its conclusory assertion that the Court's exclusion of this evidence and testimony constitutes legal error. For the reasons explained above – particularly, because Molten inexcusably delayed identifying its witnesses and translator until the eve of trial (*see* Dkt. No. 283 & Tr. 698-702, 985-88) – the Court finds no error in these evidentiary rulings. A new trial on these issues is not warranted.

Conclusion

After a seven-day trial, the jury returned its verdict in favor of Plaintiff, awarding Plaintiff over $8 million in Lanham Act and Patent Act damages. Unhappy with the outcome of the trial, and with new counsel at the helm, Defendants now want a "do over." But the outcome of the trial was, in large part, dictated by Molten's untimely identification of witnesses and evidence, late and chaotic presentation of jury instructions, and failure to properly present the legal issues. The Court-imposed deadlines provide a structure for efficient and fair presentation of the issues leading up towards trial; had the Court not ruled the way it did, Molten's failure to abide by these deadlines would have prejudiced Baden's ability to try its claims. The Court will not grant Molten's request for another chance to defend against Baden's claims. The Court DENIES the motions for new trial and judgment as a matter of law.

The clerk is directed to send a copy of this order to all counsel of record.

Honorable Marsha J. Pechman

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

BADEN SPORTS, INC., Plaintiff, v. KABUSHIKI KAISHA MOLTEN (DBA MOLTEN CORPORATION) AND MOLTEN U.S.A., Defendant.	Case No. C06-0210MJP FINAL JURY INSTRUCTIONS

Date: August 14, 2007

/s/ Marsha J. Pechman
Marsha J. Pechman
United States District Judge

* * *

INSTRUCTION NO. 15

UNFAIR COMPETITION

The plaintiff, Baden Sports, Inc., seeks money damages against the defendants Molten Corp. and Molten USA for false advertisement, which constitutes unfair competition. The defendants deny falsely advertising. To help you understand the evidence that was presented in this case, I will explain some of the legal terms you heard during this trial.

In this case, the plaintiff, Baden Sports, contends that the defendants Molten Corp. and Molten USA unfairly competed against Baden Sports by creating and distributing false advertising. Baden Sports claims Molten Corp. and Molten USA advertised their "dual cushion" basketballs as a Molten innovation and they were not. Molten Corp. and Molten USA deny this claim. The plaintiff has the burden of proving these issues by a preponderance of the evidence.

INSTRUCTION NO. 16

UNFAIR COMPETITION LIABILITY – THEORIES AND POLICIES

The laws with respect to false advertising balance three often-conflicting goals:

(1) protecting the public from being misled about the nature and source of goods and services, so that the consumer is not confused or misled in the market; (2) protecting the rights of a business to identify itself to the public and its reputation in offering goods and services to the public; and (3) protecting the public interest in fair competition in the market.

The balance of these policy objectives vary from case to case, because the objectives may often conflict. Accordingly, each case must be decided by examining its specific facts and circumstances, of which you are to judge.

In my instructions I will identify types of facts you are to consider in deciding if the defendants are liable to the plaintiff for violating the unfair competition laws. These facts are relevant to whether the defendants are liable for false advertising by making false statements that were material and that tended to deceive consumers, injuring the plaintiff in the market.

To prevail on their false advertising cause of action, plaintiff must prove each of the following elements:

(1) in advertisements, defendants made false statements of fact about their own product;

(2) those advertisements actually deceived or have the tendency to deceive a substantial segment of their audience;

(3) such deception is material, in that it is likely to influence the purchasing decision;

(4) defendants caused the falsely advertised goods to enter United States interstate commerce; and

(5) plaintiff has been or is likely to be injured as the result of the foregoing either by direct diversion of sales from itself to defendants, or by lessening of the goodwill which its products enjoy with the buying public.

If you find that elements numbers one through five (1-5) have been proven, you must also decide whether defendants intentionally falsely advertised their basketballs.

* * *

INSTRUCTION NO. 19

SUMMARY OF PATENT CONTENTIONS

To help you follow the evidence concerning the patent portion of this case, I will now give you a summary of the positions of the parties.

Baden Sports is seeking money damages from Molten Corp. and Molten USA for allegedly infringing the '835 patent by making, importing, using, selling, and offering for sale basketballs that Baden Sports argues are covered by claims of the patent.

The basketballs Baden Sports accuses Molten Corp. and Molten USA of infringing are the basketballs having the "dual cushion technology."

There are two types of basketballs at issue in this case. From 2002 until 2006, Molten Corp. and Molten USA sold basketballs that it called "dual cushion" basketballs. This will be called the old design. The Court has found that Molten Corp. and Molten USA infringed Baden Sports' '835 patent with respect to the old design. That is an issue that has been decided. However, sometime in 2006, Molten Corp. and Molten USA began to manufacture, sell, and offer to sell a new design. Baden Sports claims that Molten Corp. and Molten USA are still infringing because they made no reasonable efforts to change the advertising of "dual cushion" basketballs in the United States.

Molten Corp. and Molten USA deny that they are continuing to infringe the patent by advertising "dual cushion" basketballs.

Your job will be to decide whether there was ongoing advertising by defendants of the "dual cushion" basketball and whether that was an infringement of the patent. If you decide that the '835 patent has been infringed, you will then need to decide any money damages to be awarded to Baden Sports to compensate it for the infringement. You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damage award you give. I will take willfulness into account later.

It is my job as judge to determine the legal scope of patent coverage, meaning any patent claim language that needs interpretation. You must accept the meanings I give you and use them when you decide whether the patent has been infringed.

* * *

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

BADEN SPORTS, INC., Plaintiff, v. KABUSHIKI KAISHA MOLTEN (DBA MOLTEN CORPORATION) AND MOLTEN U.S.A., Defendants.	No. C06-210MJP VERDICT FORM (Filed Aug. 16, 2007)

We, the Jury, make the following answers to the questions submitted by the Court:

A. Unfair Competition

Question No. 1

Has Baden Sports proven its claim for false advertising?

Answer "Yes" or "No" yes

Question No. 2

Was Molten Corp. and Molten USA's false advertising intentional?

Answer "Yes" or "No" yes

Question No. 3

What sum of money do you award to Baden Sports as damages for the false advertising claim?

Answer in dollars and cents: $8,054,579.00

B. Patent Infringement

Question No. 4

Did Molten Corp. and Molten USA continue to offer for sale in the United States the same basketball design found to infringe Baden's '835 patent?

Answer "Yes" or "No" yes

Question No. 5

What sum of money do you award Baden Sports as a reasonable royalty for patent infringement?

Answer in dollars and cents: $38,031.00

Question No. 6

Did Molten Corp. and Molten USA willfully infringe Baden's '835 patent

Answer "Yes" or "No" yes

SIGNED this 16 day of August, 2007.

/s/ Christian Secor
JURY FOREPERSON

(2)

No. 08-1477

In the Supreme Court of the United States

BADEN SPORTS, INC.,

PETITIONER,

v.

MOLTEN USA, INC., ET AL.,

RESPONDENTS.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTION PRESENTED

Whether the Federal Circuit, applying Ninth Circuit precedent, properly held that this Court's refusal in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), to extend the Lanham Act into the realm of copyright and patent applies with full force to bar a patent-like claim brought under the false advertising provision of the Lanham Act, Section 43(a)(1)(B).

PARTIES TO THE CASE AND RULE 29.6 STATEMENT

The Respondents to Baden's Petition for a Writ of Certiorari are Kabushiki Kaisha Molten (doing business as Molten Corporation) ("Molten Corp.") and its subsidiary, Molten USA, Inc. (collectively, "Molten"). Molten USA, Inc. is wholly owned by its parent, Molten Corp. Molten Corp. has no parent company, nor is there any publicly traded company holding 10 percent or more of its stock.

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STATEMENT OF THE CASE

This case arises from a dispute between two sports ball companies. Petitioner Baden claimed that respondent Molten copied Baden's cushioning technology for game-quality basketballs and falsely advertised the technology as a "Molten innovation." *See* App.[1] 14-16, 104. In the district court, the jury awarded Baden damages for patent infringement (under the Patent Act) and for false advertising (under the Lanham Act). *See* App. 108-09. The Federal Circuit, applying Ninth Circuit precedent, reversed the Lanham Act judgment. App. 9-16. The court held that Baden's false advertising claim merely asserted a false designation of "authorship" (or inventorship) that, in light of *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), is not cognizable under the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). That decision does not conflict with the decision of any other court of appeals or of this Court. And it raises no issues of exceptional public concern. No *amici* have come forward to support Baden's quest for further review.

Statutory Background

Section 43(a)(1) of the Lanham Act provides a cause of action against a person who (A) misrepresents the "origin ... of his or her goods" or (B) falsely advertises the "nature, characteristics, [or] qualities ... of his or her ... goods." 15 U.S.C. § 1125(a)(1)(A), (B); *see also*

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[1] Citations to "App." refer to the Appendix attached to the Petition, citations to "Supp. App." refer to the separately-bound Supplemental Appendix filed before this Court by Petitioners, and citations to "Pet." refer to the Petition itself. Citations in the format of "A____" refer to the Joint Appendix filed in the Court of Appeals for the Federal Circuit.

Section II.A, *infra* (quoting statutory text in full). In *Dastar*, the Court read the statute strictly in accordance with its text to avoid "'over-extension'" of the Act "into areas traditionally occupied by patent or copyright." 539 U.S. at 33, 34 (citation omitted). The Court held that false claims of authorship of a product are not actionable under the language prohibiting misrepresentation of the "origin" of "goods," as that language only encompasses "the producer of the *tangible* product sold in the marketplace" and does not extend to the "entity that originated the ideas or communications that 'goods' embody or contain." *Id.* at 31, 32 (emphasis added). The Court stressed that claims disputing authorship (or inventorship) of a product are not the province of the Lanham Act, but instead sound in patent or copyright. *Id.* at 34.

The Parties

Molten Corp. is a sports ball company based in Japan. App. 22. Its wholly owned subsidiary, Molten USA, sells Molten products in the United States and Canada. *Id.* Baden is also a sports ball company, headquartered just south of Seattle.

Among other products, Molten and Baden both manufacture and sell high-end, game-quality basketballs used in amateur and professional competitions. However, Baden and Molten target very different geographic markets: whereas Baden does about 95% of its game-quality basketball business in the United States, A100296-97, Molten sells more than 99% of its basketballs outside of the United States. A100588, A100951-52.

The Technology at Issue

In 1992-93, Spalding introduced a game-quality basketball made of synthetic leather that revolutionized the market and created a demand for basketballs with a soft feel. In 1997, Baden developed and obtained U.S. Patent No. 5,636,835 ("the '835 patent"), which disclosed its own version of a soft-feel basketball, a "'padded' game ball whose outer appearance is the same as present day high quality basketballs" but which contains a "cellular sponge" layer partially covered by "raised black seams." *See* A300018-19. Baden believed its idea was new because it "place[d] ... foam all the way around the ball, all the way underneath the seams," and it called the patented invention "cushion control technology." A100177-78.

Molten later developed its version of soft-feel game-quality basketballs, and it began marketing these balls in 2003. According to Molten's advertising, its balls' "dual-cushion technology" combines two different cushioning layers: a layer of foam surrounding the ball's core, covered by a layer of soft rubber seams. App. 3; Supp. App. 6. Whereas Baden's seams are made of hard, thin, high-density rubber, *see, e.g.*, Supp. App. 1-2, the soft rubber in Molten's seams gives its basketballs an extra layer of cushioning, for a "two-story or double-decked seam construction" that the designers of dual-cushion technology had not seen in a basketball before. A100591. These soft rubber seams allow the ball to be gripped more easily. A100355; Supp. App. 5.

Molten's Marketing Efforts

Since 1981, Molten has maintained a sponsorship relationship with FIBA (*Fédération Inte nationale de*

Basketball), the international governing body of amateur basketball. App. 51; Supp. App. 6. FIBA oversees and selects the official basketballs used in the Olympic Games, World Championship Games, and lower-level contests leading up to those tournaments. Pet. 9. In exchange for Molten's sponsorship fees, FIBA features Molten's basketballs in international competitions and permits Molten to advertise its products as official FIBA basketballs. App. 95-96.

In July 2001, Molten and FIBA signed a letter of intent to renew their sponsorship agreement through 2006. A200224-25. The renewal agreement, executed in February 2002, required Molten to pay FIBA $3,500,000. A200011; Pet. 9. In April 2004, FIBA solicited Molten to renew the sponsorship arrangement, and attached to its solicitation letter a complete draft agreement. A200228. Molten executed this renewal agreement in July 2005, agreeing to continue sponsoring FIBA from 2007 to 2016 at a cost of $18 million. *See* A200020-21; Pet. 9.

In the latter half of 2004, Molten began advertising its new dual-cushion basketballs as "exclusive," "proprietary," and "innovative." App. 4; *see, e.g.*, Supp. App. 5-6. There is no evidence that Molten's dual-cushion advertising campaign is what induced FIBA to continue its decades-old sponsorship arrangement with Molten. The 2004 advertisement came three years *after* Molten and FIBA signed the 2001 letter of intent to continue the sponsorship relationship, and several months after FIBA's 2004 solicitation of a further extension. The FIBA sponsorship agreements do not mention dual-cushion technology or require the use of basketballs containing that feature. A200008-27.

Proceedings Below

On February 13, 2006, Baden filed a complaint alleging that Molten had infringed Baden's '835 patent by selling and offering to sell dual-cushion basketballs into the United States. App. 3. Baden later amended its complaint to further allege that Molten's advertising of its dual-cushion technology basketballs violated the Lanham Act, 15 U.S.C. § 1125. *Id.* The amended complaint asserted that Molten falsely advertised its dual-cushion technology "as innovative technology that is proprietary to Molten when, in fact, the technology was developed by Baden and copied by Molten." A300289 ¶ 47.

On July 16, 2007, the district court granted Baden's motion for summary judgment on infringement. App. 3. At the same time, the district court granted in part Molten's motion for summary judgment on the Lanham Act claims. App. 50. The court held that Baden could not proceed on its Lanham Act claims based on Molten's advertisements using the words "exclusive" and "proprietary." App. 62. The court reasoned that "exclusive" and "proprietary" expressed to consumers that "Molten invented and owns the basketball technology," and held accordingly that, under *Dastar*, Molten's use of those terms could not give rise to liability under the Lanham Act. *Id.* However, the court ruled that Baden could proceed to trial on its false advertising claim based on Molten advertisements that used the word "innovative." The court believed that the term "innovative" standing alone did not convey the idea that Molten was the inventor of the technology, but rather described the "'nature, characteristics, [or] qualities'" of the basketballs

themselves." App. 62-63 (quoting 15 U.S.C. § 1125(a)(1)(B)).

At trial, the jury awarded Baden only $38,031 for patent infringement, but awarded an additional $8,054,579 in damages for false advertising under the Lanham Act. App. 109. The jury based its Lanham Act award on the profits Molten supposedly earned as a result of the alleged false advertising. *See* A300458 (Jury Instr. No. 17). Baden's experts had estimated those profits based on the "net present value" of the fees Molten agreed to pay FIBA for the two most recent sponsorship agreements. App. 95-96. They presumed that Molten would earn profits from the FIBA sponsorships at least equal to their cost. *Id.*[2]

On appeal, Molten pointed out that the Lanham Act damages award was unsupportable on several levels: Baden had adduced no evidence whatsoever connecting Molten's alleged false advertising to FIBA's desire to

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[2] Baden's petition flatly misstates the basis of the jury's Lanham Act damages award. The jury did not calculate damages by taking the difference between the old and new sponsorship agreements, as Baden now implies. *See* Pet. 9, 11-12. Nor was the jury concerned with Baden's alleged loss of "goodwill" when calculating damages, as Baden now suggests. *See* Pet. 4. Instead, as explained in Jury Instruction No. 17 (which Baden neglects to mention), damages were to be equal to "any profits earned by [Molten] that are attributable to the false advertising". A300458. Lost goodwill was only relevant at trial insofar as it allowed the jury to find the *fact* of injury for *liability* purposes; it did not factor into calculating the *amount* of injury for *damages* purposes. *See* App. 94-95 (Dist. Ct. Op.) (noting the existence of testimony "that Molten's false advertising caused Baden's goodwill to be damaged" but explaining that "specific or quantifiable examples" of lost goodwill resulting from consumer confusion "is not necessary" when determining liability).

continue their decades-long sponsorship arrangement; Baden did not prove that Molten was likely to make any profit at all from the FIBA sponsorship since the revenues from the sponsorship arrangement were estimated based on the cost of the sponsorship agreements (resulting in a net profit of $0); and uncontroverted evidence established that over 99% of Molten's basketball sales (and thus almost all of the benefits Molten has ever achieved from its FIBA sponsorship) are outside of the United States and beyond the court's Lanham Act jurisdiction. The Federal Circuit ultimately did not reach these challenges because it held that Baden's claims, as litigated, could not survive *Dastar*. App. 18-19.[3]

In its briefing and at oral argument in the Federal Circuit, Baden expressly and unambiguously limited its Lanham Act claim to one of false authorship. Baden abandoned any suggestion that it was challenging Molten's mere advertisement of its products as "innovative" technology—classic unactionable puffery—and instead repeatedly characterized its claim as a challenge to Molten's touting of the dual-cushion basketball as "Molten's innovation" when it was instead Baden's innovation. *See, e.g.*, App. 15 (Fed. Cir. Op.) (noting Baden's argument that the advertisements "do not merely claim an innovation, but rather a '*Molten* innovation'"); App. 15-16 (noting Baden's admission at oral argument that its claims were so limited); *see also* App. 14 ("Throughout the trial, Baden steadfastly argued that Molten's advertisements were false

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[3] For the same reason, the court of appeals did not address Molten's argument that the district court improperly excluded certain key evidence. App. 8, 18-19.

precisely because Molten was not the source of the innovation."). Thus, the Federal Circuit expressly concluded that Baden's claims were so limited and that any other theory was waived. *E.g.*, App. 15 ("Baden has waived any ... argument about novelty or newness ...."); App. 16 ("Baden has not argued on appeal that Molten's innovation claims were false for any reason other than a false attribution of the authorship of that innovation.").

Applying the substantive law of the Ninth Circuit—as required by Federal Circuit choice of law doctrine for non-patent issues[4]—the Federal Circuit held that *Dastar* foreclosed Baden's claim. App. 9-16 (applying *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137, 1144 (9th Cir. 2008)). The court observed that, under *Dastar*, Baden could not "proceed with a false advertising claim that is fundamentally about the origin of an idea." App. 16 (citing *Dastar*, 539 U.S. at 37; *Sybersound Records*, 517 F.3d at 1144). The court explained that Baden could not dodge *Dastar* by recasting its "authorship" claim as a Section 43(a)(1)(B) claim: "Baden's arguments in this case amount to an attempt to avoid the holding in *Dastar* by framing a claim based on false attribution of authorship as a misrepresentation of the nature, characteristics, and qualities of a good." App. 14. The court therefore reversed the district court's judgment for Baden on its Lanham Act claim. Baden did not seek rehearing.

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[4] *See, e.g., Syngenta Seeds, Inc. v. Delta Cotton Co-operative, Inc.*, 457 F.3d 1269, 1273 (Fed. Cir. 2006).

REASONS FOR DENYING THE WRIT

The Federal Circuit's decision in this case does not warrant further review. The decision does not conflict with any decision of this Court or any other court of appeals. Indeed, because it merely involves the Federal Circuit's application of Ninth Circuit law, this decision does not bind the Ninth Circuit or even the Federal Circuit itself (except when it again applies Ninth Circuit law). On the merits, moreover, the decision is clearly correct: both the plain text of the statute and this Court's reasoning in *Dastar* foreclose Baden's attempt to bring a patent-like claim—about the contested "authorship" (or inventorship) of Molten's basketballs—under the false advertising provision of the Lanham Act. Review should be denied.

I. THERE IS NO CONFLICT AMONG THE CIRCUITS

The Federal Circuit, applying the Ninth Circuit's interpretation of this Court's interpretation of the Lanham Act, rejected Baden's attempt to bring a patent-like claim dressed in false advertising garb. *See* App. 9-16 (applying *Sybersound Records*, 517 F.3d at 1144). In so doing, the Federal Circuit held that this Court's reasoning in *Dastar* (involving a claim asserted under subsection A) applies equally to Baden's false advertising claim (asserted under subsection B).

There is no circuit split on that issue, and Baden does not contend otherwise. *See* Pet. 3-4 (relying solely on an asserted need for this Court to correct an interpretation of federal law). The Federal Circuit, citing First Circuit dictum and some district court

holdings, observed that other circuits might eventually take a different approach, which is of course always a possibility. *See* App. 16 n.1. But none has yet done so. Thus, this is a quintessential case where further percolation is warranted. Review at this point would be premature.

Review is particularly unnecessary here because this decision is not even binding on the Ninth Circuit, *see Cal. Dep't of Water Res. v. Powerex Corp.*, 533 F.3d 1087, 1092 (9th Cir. 2008), and it only binds the Federal Circuit when applying Ninth Circuit law, *see, e.g., Nike Inc. v. Wolverine World Wide, Inc.*, 43 F.3d 644, 647-48 (Fed. Cir. 1994); *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1385 (Fed. Cir. 1987). It is not surprising that, absent a conflict among the circuits, this Court has *never* granted certiorari solely to review the Federal Circuit's application of another circuit's interpretation of a federal statute or rule.[5]

The other circuits will undoubtedly have opportunities in future cases to weigh in on the legal question that Baden raises here. If and when a disagreement arises, this Court can consider whether certiorari is warranted. But it is certainly premature at this point.

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[5] *Cf. Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394, 398-99 (2006) (resolving inter-circuit conflict, identified in petition, arising out of Federal Circuit's application of another circuit's interpretation of a federal rule); *Nelson v. Adams, USA, Inc.*, 529 U.S. 460, 466-68 (2000) (same). Although Baden asserts that the unique posture of this case "should make no difference to whether this Court should grant Baden's petition," Pet. 22 n.8, Baden has cited no *certiorari* grants in like circumstances.

II. THE FEDERAL CIRCUIT PROPERLY REFUSED TO EXTEND THE FALSE ADVERTISING STATUTE TO INCLUDE BADEN'S PATENT-LIKE CLAIM

Review is also unwarranted because the Federal Circuit correctly concluded that Baden's claim fails under the Lanham Act, as interpreted by this Court in *Dastar*.

A. The Plain Text of the Statute Forecloses Baden's Claim About the "Authorship" (or Inventorship) of the Goods

The Federal Circuit's holding in this case is fairly compelled by the text of the statute. Section 43(a)(1) of the Lanham Act, 15 U.S.C. § 1125(a)(1), provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature,

> characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Baden concedes that its claim does not concern the "origin" of its basketballs under subsection A, Pet. 25, but argues that it is viable under the "nature, characteristics, and qualities" language of subsection B, *id.* Subsection B, however, encompasses only the "nature, characteristics, [or] qualities ... of [Molten's] *goods*" themselves, not the identity of their *inventor*. *See Webster's New International Dictionary* 1631 (2d ed. 1950) ("nature" is "[t]he essential character or constitution of a particular thing, a species, or a kind"); *id.* at 451 ("characteristic" is "a trait, quality, or property distinguishing an individual, group, or type"); *id.* at 2031-32 ("quality" is "an attribute" or a "[d]istinctive or peculiar character"); *id.* at 1079 ("goods" are "[w]ares; merchandise").

Thus, under the plain language of the statute, the Federal Circuit correctly held that subsection B "refer[s] to 'the characteristics *of the good itself*,'" App. 13 (emphasis added) (quoting *Sybersound Records*, 517 F.3d at 1144), and that therefore "authorship ... is not a nature, characteristic, or quality, as those terms are used in [subsection B]." App. 14.[6] As such, the Federal

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[6] In its petition, Baden quibbles with the Federal Circuit's characterization of the record when the court observed that "no physical or functional attributes of the basketballs are implied by

Circuit properly held that Baden's claims about "Molten's innovation"—which were limited to authorship because Baden had waived any other theory[7]—fell outside of the statute. *See* App. 14-16; *supra* at 7-8.

In its petition, Baden at times now suggests that its claim is not just about "authorship" of the goods (*i.e.*, the basketballs as "Molten's innovation") but is instead about *Molten's* own status as an "innovator." *See, e.g.*, Pet. 10 (arguing Molten falsely advertised itself as "an 'innovator' in the field of sports ball design").[8] Either this contention is really nothing more than a refurbished authorship claim, or it represents a new claim that was not raised below. If, on one hand, Baden is trying to portray Molten's status as an innovator as somehow an attribute of Molten's goods, *see, e.g.*, Pet. 25 ("Molten's line is the product of an innovator in the field of sports ball design ...."), then, at root, Baden's

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Molten's advertisements." *See* Pet. 21 n.7; App. 14. Contrary to Baden's suggestion, however, the Federal Circuit was merely and accurately making the point that, as used in Molten's advertisements, the term "innovative" did not refer to the "physical or functional attributes" of the goods. App. 14.

[7] Baden does not challenge the Federal Circuit's waiver holding in its petition. *See* Pet. i (question presented).

[8] Baden repeatedly suggests in its petition—erroneously and without citation—that the claim addressed by the jury was that Molten falsely advertised its *own* status as an "innovator." Pet. 11, 14, 19, 20, 21. Baden's claim, however, as submitted to the jury, only charged that Molten represented its *goods*—the basketballs—"as a Molten innovation and they were not." App. 104 (Jury Instr. No. 15). In finding liability, the jury had to conclude, *inter alia*, that Molten "made false statements of fact about their own *product*," App. 105 (Jury Instr. No. 16) (emphasis added), not false statements about Molten's status itself.

claim is still "fundamentally about the origin of an idea," App. 16, rather than about some characteristic of the tangible Molten goods. If, on the other hand, Baden has shifted its claims from "authorship" to the status of Molten itself, such claims were not made below and, therefore, are not properly presented here. *See Taylor v. Freeland & Kronz*, 503 U.S. 638, 645 (1992). In any event, such claims would also fail under the statutory text, as it would stretch the definitions even further to interpret the "nature, characteristics, [or] qualities" of Molten's *basketballs* to include the characteristics of the *inventor* of Molten's basketballs.

B. *Dastar* Forecloses Baden's Claim About the "Authorship" (or Inventorship) of the Goods

The Federal Circuit's rejection of Baden's claim is also perfectly consistent with this Court's teaching in *Dastar*.

In *Dastar*, the producers of a World War II video series had substantially copied a television series, but marketed the video series as its own without attribution. 539 U.S. at 25-26.[9] This Court rejected the argument that the producer had thereby falsely designated the "origin" of the work under Section 43(a) of the Lanham Act. It held that the Lanham Act is

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[9] Contrary to Baden's claim that "Dastar had made no representation regarding the origin of its series beyond claiming that it had produced the product at hand," Pet. 23, this Court expressly assumed for purposes of its decision that "Dastar's representation of itself as the 'Producer' of its videos amounted to a representation that it originated the creative work conveyed by the videos," *Dastar*, 539 U.S. at 34.

concerned with the origin of the physical product, not the idea behind it. *Id.* at 35-36.

Baden argues that *Dastar* is distinguishable because it addresses only the "origin" of "goods" (subsection A), rather than the "characteristics" of the "goods" (subsection B). Pet. 25. This argument is unavailing, because this Court's reasoning clearly applies to subsection B as well. The Court explained that the Lanham Act must be read "in accordance with [its] common-law foundations (which were *not* designed to protect originality or creativity), and in light of the copyright and patent laws (which *were*)." 539 U.S. at 37. Indeed, as "[t]he rights of a patentee or copyright holder are part of a 'carefully crafted bargain,'" this Court took care to avoid "'over-extension'" of the Act "into areas traditionally occupied by patent or copyright." *Id.* at 33, 34 (citation omitted). The Court further stressed that the statute "'does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law.'" *Id.* at 34 (citation omitted).[10]

The Court in *Dastar* thus read the "origin" of "goods" language strictly to refer to "the producer of the *tangible* product sold in the marketplace" rather than extending it to include the "entity that originated the ideas or communications that 'goods' embody or contain," 539 U.S. at 31, 32 (emphasis added); *see also id.* at 31 (quoting Webster's definition of "goods"); *id.*

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[10] As Baden has already been awarded (and Molten did not appeal) damages for patent infringement, the "creative talent" behind the products at issue is "not left without protection." *Dastar*, 539 U.S. at 37. But the Lanham Act and *Dastar* do not permit Baden to double-dip.

at 37 (stressing that the phrase refers to the "tangible goods" not to the "author of any idea"). So too here, the Federal Circuit properly read the "nature, characteristics [or] qualities" of the "goods" to refer to the tangible features of the goods rather than to the "entity that originated the ideas" embodied in the goods. App. 11. Just as in *Dastar*, "[t]o hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent ..., which Congress may not do." 539 U.S. at 37 (referencing the constitutional limitation). As the Federal Circuit explained, allowing a claim of false authorship here would risk "creat[ing] overlap between the Lanham and Patent Acts." App. 13. In fact, if "authorship" or "inventorship" were a "characteristic" or "quality" of a work, then the very claim *Dastar* rejected under subsection A would have been available under subsection B, which would directly contradict this Court's careful direction that the Lanham Act must not extend into the realm of copyright and patent and render the *Dastar* rule meaningless. The reasoning in *Dastar* necessarily covers "authorship" claims arising under both subsections, and it plainly controls here.

As litigated in the Federal Circuit, Baden's claims about "innovation" were directed solely to the "authorship" (or inventorship) of Molten's basketballs—that is, whether Molten falsely stated that the basketballs were "Molten's innovation" rather than Baden's innovation. *See* App. 14-16; *supra* at 7-8. Therefore, the Federal Circuit properly found Baden's claims foreclosed by this Court's interpretation of the Lanham Act in *Dastar*. And to the extent that Baden now raises a new claim focused on the characteristics of Molten *itself*, that claim is even further removed from

the statute than those foreclosed by *Dastar*. As explained above, the statute only covers the characteristics of the *goods*, not the identity—let alone the characteristics—of the *inventor* of the goods. *See* 15 U.S.C. § 1125(a)(1)(B).

The hypothetical this Court posed in *Dastar* is not to the contrary. *Cf.* Pet. 25-26 & n.10. This Court noted that a plaintiff might theoretically have a claim for "misrepresentation under the 'misrepresents the nature, characteristics [or] qualities' provision of § 43(a)(1)(B)" where a defendant has substantially copied another's video series and given "purchasers the impression that [its] video was quite different from that series." *Dastar*, 539 U.S. at 38. The Federal Circuit recognized that Baden's claim does not go to whether the basketballs were "different" but only to whether the basketballs were *Molten's* innovation, as opposed to *Baden's* innovation. App. 15-16 (quoting Baden's briefing and argument below).[11] Far from "presum[ing] to dismiss" the *Dastar* hypothetical, as Baden asserts, Pet. 26 n.10, the Federal Circuit expressly found the hypothetical inapplicable to Baden's claim. *See* App. 12-16.

In one important respect, this case is even easier than *Dastar*, as this case does not involve the sort of "communicative product" at issue in *Dastar*, which might be valued for the "identity of the ... author." *Dastar*, 539 U.S. at 33. For a non-communicative

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[11] Baden cannot avail itself of the hypothetical by recasting its claim as merely addressing whether the basketballs were "substantially different from all other basketball designs," Pet. 25, because the Federal Circuit held that such claims were waived, App. 15-16, and Baden has not challenged that holding.

product such as a basketball, which is valued "primarily for its physical qualities," as this Court explained, "[t]he consumer ... *typically does not care*" which entity "came up with the idea for the product, or designed the product." *Id.* at 33, 32 (emphasis added). The Court emphasized that "[t]he words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers." *Id.* at 32-33. That teaching is trenchant here.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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BADEN SPORTS, INC.,

Petitioner,

v.

MOLTEN USA, INC., and
KABUSHIKI KAISHA MOLTEN
(doing business as MOLTEN CORPORATION),

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

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SUMMARY OF REPLY

Molten incorrectly asserts that the Federal Circuit's reading of *Dastar* is faithful to this Court's decision in that case. This Court was careful to distinguish between an origin of goods claim under Subsection A of the Lanham Act and a false advertising claim under Subsection B, which the Federal Circuit failed to do here. And while this Court did suggest that consumers of goods "typically" do not care about who first came up with the idea for a product, this Court did not presume to predetermine that consumers of goods will *never* care about who first came up with the design for a product. Whether consumers actually care about who first came up with a product's design is a factual question that can only be answered product by product.

Molten nonetheless insists that a misrepresentation about whether a manufacturer is an innovator in product design cannot by definition be a nature, characteristic or quality of a good and therefore cannot give rise to a violation of Subsection B. Molten is wrong, as the facts of this case demonstrate. Prospective buyers of sports balls are more likely to buy a sports ball manufacturer's product if that manufacturer has a reputation for being an innovator. Molten created the illusion that it was an innovator, by its false claim that its dual cushion ball was an innovation, when in fact it was a copy of Baden's dual cushion ball. (So clearly a copy that the District Court found the design of Molten's

ball infringed on Baden's patent for the design of its ball, as a matter of law.) By creating that illusion, Molten increased the likelihood that American sports ball consumers would purchase a Molten ball, because they would believe that by purchasing a Molten ball they were getting a cutting edge ball that would improve their performance on the basketball court.

Of course, those consumers would not actually receive a cutting edge ball, because Molten had been forced to stop selling its dual cushion balls in the United States, in order to "stop the bleeding" on the patent infringement front of its legal battle with Baden. But the fact that American purchasers of Molten balls would end up being deprived of the performance qualities they thought they would get by purchasing a Molten ball (and which they would actually have received, had they instead purchased a Baden dual cushion ball) merely goes to show that Molten's false advertising was producing precisely the sort of injury to consumers that Subsection B of the Lanham Act was designed to prevent. Baden's false advertising claim, by holding Molten accountable for that injury (measured by the damages awarded to Baden by the jury) is exactly the sort of claim that must be allowed if Subsection B is going to serve its purpose of discouraging false advertising that misleads consumers about the qualities, characteristics and nature of products which guide purchasing decisions. This Court needs to grant

Baden's petition so it can make clear that nothing in *Dastar* should be read to preclude such a claim.

Molten *is* correct that the Federal Circuit's decision does not (yet) create a conflict amongst the Circuit Courts of Appeals. But an answer to the question presented by Baden's Petition should not be deferred until more courts have had a chance to weigh in on whether they agree with the Federal Circuit's reading of *Dastar*. The "authorship" limitation on Lanham Act false advertising claims enforced by the Federal Circuit in this case materially impairs the consumer protection mission of the Act, as the record in this case amply demonstrates. The public interest is not served by waiting for further "percolation": The damage already done is sufficiently "scalding" to justify remedial action by this Court, now.

ARGUMENT IN REPLY

A. Molten Is Not Entitled to the Benefit of Factual Characterizations That The Jury Was Entitled to Reject When It Found in Favor of Baden's False Advertising Claim.

Molten, in the "Parties," "Technology at Issue" and "Molten's Marketing Efforts" portions of its Statement of the Case, tries to get the benefit of several factual characterizations that the jury was entitled to reject when it ruled in favor of Baden's false advertising claim.

• Molten implies that Molten had little or no interest in the American basketball market, by emphasizing static facts showing that Baden sells 95 percent of its basketballs in the United States while Molten sells 99 percent of its basketballs outside the United States. *See* Brief in Opposition ("Brief in Opp.") at 2. But other evidence introduced at trial showed Molten wanted to substantially increase its American market sales – and no wonder, since the evidence also showed that the American market is by far the single biggest sports ball market in the world.

• Molten tries to suggest that its dual cushion basketball was materially different from – and superior to – Baden's dual cushion ball. *See* Brief in Opp. at 3. But the District Court ruled before trial that, as a matter of law, Molten's dual cushion ball design infringed on Baden's patent for the design of its dual cushion ball, and the evidence at trial showed that whatever differences there were between the two balls were not material.

• Molten outright asserts that the change of the payment terms of its sponsorship agreement with FIBA had nothing to do with its introduction of the dual cushion basketball as the leading element of Molten's "innovator" advertising campaign. *See* Brief in Opp. at 3-4. This assertion, however, ignores evidence showing that Molten saw its continued relationship with FIBA as crucial to the success of that campaign, and in particular to its effort to create an association in the minds of American basketball consumers between Molten and "innovation," by

placing Molten's dual cushion basketballs in the hands of popular American basketball players (e.g., LeBron James) during the course of international competitions (e.g., the Olympic Games basketball tournament) extensively covered by the American sports media.

Baden's point is not that Molten's claims are contradicted by some sort of "smoking gun" evidence that Molten has failed to acknowledge in its briefing to this Court. The problem is different, and more fundamental. This case comes to this Court following a jury trial in which Baden prevailed on its false advertising claim, and a decision by the Federal Circuit that did not throw out Baden's award on that claim because the jury's factual findings supposedly were not supported by substantial evidence. Given this procedural posture, Molten is not entitled to the benefit of factual characterizations that the jury was entitled to reject when it found for Baden on its false advertising claim.

Moreover, Baden is entitled to the benefit of the inferences that the jury could reasonably have drawn in Baden's favor, when it found for Baden on its false advertising claim. Thus, Baden is entitled to the inference that the reason Molten agreed to a multi-million dollar increase in the annual fee Molten was paying to FIBA was to assure that Molten balls would continue to be used in FIBA competitions and that FIBA's president would endorse Molten's "innovator" claim – all part of Molten's effort to successfully brand itself as the "innovator" in basketball design,

which in turn would allow Molten to substantially increase its sales in the all-important American market. In sum, Molten must try and persuade this Court to deny Baden's petition in the face of a jury verdict that must be deemed to establish that Molten's "innovator" advertising campaign misled American basketball purchasers into buying Molten basketballs because they were led to believe that by doing so they would get the same cutting edge product that was helping their favorite basketball stars achieve their phenomenal level of performance.

B. Molten's Quarrel with Baden's Characterization of the Nature of the Jury's Damage Award is Both Meritless and Irrelevant to Whether This Court Should Grant Baden's Petition.

Molten takes Baden to task for (Molten says) "flatly misstat[ing] the basis of the jury's Lanham Act damage award." *See* Brief in Opp. at 6, n.2. Molten asserts that "[t]he jury did not calculate damages by taking the difference between the old and the new sponsorship agreements" and further asserts that the jury was not concerned with what Molten describes as Baden's "alleged" loss of goodwill. *Id.* Yet Molten does not explain how *it* knows how the jury did (and did not) calculate damages, beyond citing to Jury Instruction No. 17, which Molten does accurately characterize as stating that the measure of damages is to be any profits earned by Molten that are attributable to its false advertising. *Id.*

Quoting Jury Instruction No. 17 is the only thing that Molten gets right on this point. Damages *were* to be measured by profits earned by Molten attributable to its false advertising But what Molten apparently forgets is that Baden's damages expert opined that those profits could be measured by taking the additional amount of the sponsorship payments called for in the second sponsorship agreement compared to the amount of the payments called for in the prior agreement, and discounting that additional amount to present value: in other words, as Baden said in its Petition, "taking the difference" and discounting that to present value. Moreover, that the jury accepted the expert's approach and did just that is shown by the "match" between the expert's discounted value amount and the jury's Lanham Act damage award amount. As for goodwill: All Baden said was that it received an award of $8,000,000 for the loss of goodwill it suffered due to Molten's false advertising. And since loss of goodwill was the *kind* of damage Baden alleged that *it* had suffered, it rather clearly follows that the amount of the damages awarded were for – "due to," as Baden put it in its Petition – that loss of goodwill.

Of course, and as Molten elsewhere acknowledges, the Federal Circuit never reached Molten's challenge to the damages award, just as it did not reach the several complaints Molten lodged about the course of the trial proceedings, because the court instead accepted Molten's threshold argument that *Dastar* barred Baden's claim. Indeed, none of these

issues should matter to whether this Court should grant Baden's Petition; if the Court grants the Petition and reverses the Federal Circuit, the case will be remanded back to the Federal Circuit for it to resolve the issues left unresolved by its *Dastar* ruling. Baden has nonetheless chosen to address the damages point raised by Molten's Brief in Opposition, in order to assure this Court that Baden has not mischaracterized the record and proceedings below, whether regarding the issue of the measure of damages or any other factual matter addressed in Baden's Petition.

C. The Federal Circuit's Reading of *Dastar* Does Conflict With the Distinction Between Lanham Act Origin of Goods and False Advertising Claims Drawn by This Court in *Dastar* – A Distinction That is Necessary to Effectuate the Consumer Protection Purposes of the Act.

In attempting to defend the Federal Circuit's application of *Dastar*, Molten only manages to compound the Federal Circuit's misreading of that decision – a misreading that undermines the consumer protection purposes of Subsection B of the Lanham Act.

To begin, Molten misses the point of what the Federal Circuit called this Court's "dictum" at the close of *Dastar*. Here is what this Court said in that (so-called) "dictum":

> If, moreover, the producer of a video that substantially copied the Crusade [in Europe] series were, in advertising or promotion, to give purchasers the impression that the video was quite different from that series, then one or more of the respondents might have a cause of action – not for reverse passing off under the "confusion . . . as to the origin provision" of § 43(a)(1)(A), but for misrepresentation under the "misrepresents the nature, characteristics [or] qualities" provision of § 43(a)(1)(B). For merely saying it is the producer of the video, however, no Lanham Act liability attaches to Dastar.

Dastar, 539 U.S. at 38. What both Molten and the Federal Circuit fail to apprehend is that this is precisely what happened in this case. Molten did not merely say it was the manufacturer of its dual cushion basketball. Molten, in advertising and promotion of that basketball, tried to give prospective purchasers the (misleading) impression that its dual cushion basketball was quite different from all other basketballs on the market, and that the ball's (supposedly) unique performance-enhancing attributes established Molten as the "innovator" in sports balls.

That the misrepresentation went to all other basketballs on the market, as opposed to just Baden's dual cushion basketball, should make no difference. The falsity of the claim is established by the fact that Baden had already developed a dual cushion design basketball, and that there was no material difference

between Baden's ball and Molten's ball. Moreover, the resulting damage to Baden's goodwill produced by the advertising and promotion of Molten's false claim is what gave Baden the necessary incentive to sue Molten for false advertising. And it is only through such suits that the consumer protection purposes of Subsection B can be effectively vindicated. *Coca-Cola Co. v. Procter & Gamble Co.*, 822 F.2d 28, 31 (6th Cir. 1987) ("Under our economic system, competitors have the greatest interest in stopping misleading advertising, and a private cause of action under section 43(a) allows those parties with the greatest interest in enforcement, and in many situations with the greatest resources to devote to a lawsuit, to enforce the statute rigorously") (previously cited and quoted in Baden's Petition, at p.17). The import of this Court's "dictum" in *Dastar* for a proper resolution of this case therefore should have been clear: Unlike Dastar, Molten had violated Subsection B's prohibition on misrepresenting the nature, characteristics and qualities of a good, and Baden (the competitor most directly damaged by that misrepresentation) was entitled to sue Molten for that violation.

That the Federal Circuit missed the true import of this Court's "dictum" was almost certainly because of that court's failure to appreciate the context in which this Court in *Dastar* spoke about "authorship" as a limitation on a Lanham Act Subsection A "origin of goods" claim. Yes, Baden is saying that it, and not Molten, originated the dual cushion design. Baden, however, is not suing because Molten's claim could

create confusion about the origin of the dual cushion design. Baden is suing Molten because Molten used that misrepresentation to mischaracterize the characteristics of its dual cushion basketballs (claiming they offer "unique" performance-enhancing features when they do not), thereby falsely branding itself as the innovator amongst sports ball manufacturers.

Molten is correct that this Court observed in *Dastar* that a consumer of a branded product "typically does not care" who originated the design of that product. 539 U.S. at 32. But this Court was not presuming to predetermine whether consumers *could never* care about who originated the design of a branded product. This is a factual question, that must be resolved based on what is proven to matter to consumers of the product at issue. And as the evidence in this case clearly established, prospective purchasers of sports balls (and basketballs in particular) care *a great deal* about who originates breakthrough designs that promise enhanced performance. The evidence in this case showed that purchasers of basketballs often choose their brand on the basis of associations with the great players. If those players are shown using one manufacturer's basketball, that manufacturer claims that the players are using that manufacturer's ball because that basketball represents the cutting edge in design, *and* that quality is summed up again and again in advertising and promotion by the branding device "innovator" (which is what the evidence showed happened here), consumers will be more likely to

choose the "innovator's" product line over the competition's product line. And for precisely this reason, if the claim to be an "innovator" is false, the manufacturer making the claim should have to answer in damages for violating Section 43(a)(1)(B). To prohibit such a claim just because it can also be characterized as involving an issue of "authorship" frustrates the consumer protection purposes of the statute. By dismissing Baden's false advertising claim, the Federal Circuit has done exactly that – denied the consumers of sports balls, and of basketballs in particular, the protection against Molten's misleading claims that Subsection B was intended to provide.

D. This Court Need Not and Should Not Wait For Further "Percolation," But Instead Should Act Now to Prevent Further Damage to the Consumer Protection Function of Subsection B of the Lanham Act.

Molten is correct that the Federal Circuit's decision in this case does not (yet) create a conflict amongst the Circuit Courts of Appeals. But this Court is not *barred* by the absence of such a conflict from granting Baden's Petition. And given the clear damage to the consumer protection function of Subsection B of the Lanham Act that will flow from the imposition of an "authorship" limitation on such claims, the matter should not be left to "percolate" and the consumers of other products exposed to the

kind of "scalding" that the consumers of sports balls have already been subjected to by Molten's misleading advertising and promotional campaign.

CONCLUSION

This Court should grant Baden's Petition to resolve the question of whether Lanham Act Subsection B false advertising claims should be subject to the "authorship" limitation imposed by the Federal Circuit in this case.

Respectfully submitted,

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